

The Power of a National Bank to Pension

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Whether or Not a National Bank Has the Right to Pension Employees Has Never Come Before an American Court for Decision. Any Pension System Must Have as Its Fundamental Basis Either a Gift or a Contract. An English Court Held That Pensioning Was Within the Power of the Bank, Being an Act Done as an Incident to the Conduct of Its Business.

A NATIONAL bank in New York, recognizing the eminent desirability and justice of making provision for old age in case of employees who have been with the institution from fifteen to fifty years, has made inquiry as to its power, under existing law, to pension its employees. The bank doubts whether national banks now have such power and asks enlightenment upon this point and further whether it would not be desirable that legislation be passed expressly containing this grant of power.

The question whether a national bank has the power to pension employees is one of general interest and has never come before a court for decision. There is an article by E. D. Hulbert on "Pensions and Profit-Sharing" in the JOURNAL OF THE AMERICAN BANKERS ASSOCIATION for September, 1919, in which the pension plans or systems of a number of financial institutions, including national banks, are described, some of them having been in existence many years. The fact that such systems are already established and in successful operation, presumably by competent legal advice, would seem to indicate a basis

of legal opinion favorable to the exercise of such power. The question will be briefly examined.

A pension system must have its fundamental basis either as a gift or as a contract. It involves the making of a gift by the bank where a certain fund is given to trustees to be distributed as pensions and it also involves a promise to give, where provision is made for future contributions to the fund; and in certain cases there is superadded a contract or agreement with employees whereunder both bank and employees contribute to the fund, the consideration for the contract being the mutual promise to give. Many systems, however, rest entirely on the basis of gift or promise to give on the part of the bank and include an express disclaimer of contractual relation with employees as well as an express reservation of the right of the bank to amend, modify or annul the provisions or conditions of the pension plan at will.

There is, of course, an important distinction between a gift and a promise to give. To constitute a valid gift, there must be delivery; in other words, a gift is completed

by delivery and, where made by a donor who has power, the gift is irrevocable. But where the donor merely promises to make a gift and then fails to fulfill his promise, the promise is without consideration and cannot be enforced. Even assuming, therefore, that the directors of a national bank have the power to create a pension fund, so much of it as depends upon future contributions would rest entirely upon the continued good will of the directors who could not be compelled to make such future contributions, should they decide not to do so, irrespective of any express reservation of right to annul, unless the pension plan was on a basis which constituted a binding contract between bank and employees, supported by a valuable consideration and within the power of the bank to make.

Our main inquiry is with reference to the power of a national bank, through its board of directors, to make a gift of its funds by way of pensions to its employees. If the gift was made by the entire body of stockholders it would doubtless be valid, assuming no rights of creditors were impaired.

Examining the authorities which may have a bearing upon the question, it was held in the English case of *Henderson v. Bank of Australasia*, 40 Ch. Div. 170 (decided in 1888), that a resolution by a majority of the proprietors or shareholders of a bank, to which certain shareholders dissented, authorizing the directors to grant a pension to the family of a deceased officer of £1,500 per year for five years, was within the power of the bank, being an act done as an incident to its business and for its benefit. The court said it was notorious that pensions are constantly given to officers of trading companies as a recognition of services they have rendered the company during the time in which they have been in active service; but it pointed out that the present grant was different, not being to an officer for the rest of his life but for the benefit of his family for a limited period after he died. There was evidence before the court that it was customary to make such grants. It was held the making of such grant was in the course of carrying on the business of the bank in the best way for the benefit of shareholders and was within the scope of the bank's business. Its purpose was to promote the prosperity of the bank, for such grants secure a better class of officials who are willing to take service with the bank and this is an object of importance in carrying on its legitimate business. The court indicated that if the grant in this case had been made by the directors, as distinguished from a majority of the shareholders, it would have been within their discretion as a matter reasonably incidental to carrying on the business. Answering the contention that the bank had no right to pledge future earnings, the court said: "That no doubt is a thing which they have to take into consideration when the scheme is before them to which they propose to give effect, and no doubt it has been considered here, but that is not a reason why what otherwise would be legal is not legal. The fact that they are pledging future earnings in a certain sense exists in every case where a pension is given to a retiring servant."

The National Bank Act confers upon every national bank, the power

to exercise by its board of directors "all such incidental powers as shall be necessary to carry on the business of banking" and if the view of the English court were to obtain in this country, the power to create a pension fund by gift of a certain percentage of earnings to trustees, might be held within the power of the bank and within the authority of the board of directors as an act done for the benefit of the bank and as an incident to its business, because the creation of such a fund would have a tendency to promote the prosperity of the bank in securing a better class of employees and more efficient service.

Power to Make Gifts Denied

"The power of national banks to make gifts being denied by the American courts, it cannot be said at the present day that there is a sufficient basis of authority to warrant the conclusion that the giving of pensions to employees is within the power of a national bank or its board of directors. Pension funds may be created and may operate successfully, where no minority stockholder objects to the disposition of the funds in this manner; but should such a stockholder bring a test case to determine the validity of such funds, it cannot be affirmed with certainty that the power to create such funds would be upheld."

The writer of this article has heretofore given an opinion (summary of which will be published as Item No. 547 in the new Digest of Legal Opinions) that the custom of certain national banks to give a cash bonus to officers and employees as an addition to their respective salaries was probably legal as an implied power necessary to carry into effect powers specifically granted and in line with certain gratuities extended customers as an incident to the business. At all events, it has been so long the custom of certain banks to exercise this power as to create a presumption of its legality.

The English decision in *Hampson v. Price's Patent Candle Co.*,

45 L. J. Ch. 437 (not, however, the case of a bank but of a manufacturing company) expressly supports this view. The court held in that case that a resolution to give one week's extra pay to each worker in the company's factories, who had worked with good character throughout the year, was not *ultra vires* but a reasonable exercise of the powers of management conferred on the directors by the act of incorporation. The court said:

"The real point is whether it is fair management of the affairs. I have no doubt it is clearly germane to their affairs or business. Can anything be more reasonable than that, when the employer has had a very good year through the exertions of the workmen employed by him, he should give them something more than their ordinary wages by way of encouraging them to exert themselves for the future? It is intended to be given only to those workmen now in the employment of the company. It is stated, that persons employed as a rule can leave their employment on short notice. But still they are in the employment of the company, and I have no doubt but that it will encourage them to work harder for the future; therefore, it is a direct benefit in that way, for, though a few workmen might leave, the bulk would no doubt remain a considerable time longer, if they expected a gratuity of this kind. It is true that the company do not bind themselves to make the payment in the future; but the mere fact of the payment holds out the hope of something of the kind being done if such another prosperous year should occur, occasioned by the exertions of the workmen."

An examination of the American authorities, however, on the subject of gifts by corporations, including banks, does not afford any very satisfactory basis for the conclusion that the courts will hereafter declare it within the power of a national bank to pension its employees. Generally speaking, the American courts hold that a corporation has no power to make gifts for charitable purposes but where the gift is made with a view of receiving a resulting pecuniary benefit, the courts are divided, with a tendency in the later decisions to uphold such

donations although the courts are more liberal in upholding donations by land companies than donations by banks.

No Power to Give

In several cases of national banks, it has been expressly held that such an institution has no power to make a gift. Thus in *Robertson v. Buffalo Co. Nat. Bank*, 58 N. E. (Neb.) 715, the following is the syllabus by the court:

"No agent of a corporation has the implied authority to give away any portion of the corporate property or to create a gratuitous corporate obligation binding on the corporation. Accordingly, where the president of a national bank signed its name to a subscription paper obligating the bank to donate \$200 to certain parties on condition that they would erect a paper mill in the city of K, held (1) that the making of donations of its funds to aid in the building of a paper mill was no part of the business for which the bank was incorporated and (2) that the act of the president was not within the scope of his authority and that the bank, by reason of the authorization and ratification by it of the president's act, was not bound by the agreement made." The court said: "This bank was organized under the act of Congress for the purpose of loaning money, receiving deposits, and for the conducting of a general banking business. The making of donations of its funds or capital to aid in the building of paper mills, canals or churches is no part of the business for which it was incorporated. The bank—that is, the corporation—by the unanimous consent of its stockholders might, no doubt, make such donation of its capital to any enterprise or person it chose" but, the court held, the bank was not bound by its president's agreement; furthermore, it was not necessary to invoke the doctrine of *ultra vires* as the question in this case could be decided on the principles of agency. The court cited *Jones v. Morrison*, 31 Minn. 140, in which it is said: "The directors of a corporation have no authority to appropriate its funds in paying claims which the corporation is under no legal or moral obligation to pay, as to pay for past

services which have been rendered and paid for at a fixed salary previously agreed on, or under an agreement that there shall be no compensation for them."

Again in *McCoy v. World's Columbian Exposition*, 57 N. E. (Ill.) 1042, it was stated that "national banks have no power to subscribe for capital stock of other corporations." But where subscriptions have been made to the shares of a World's Fair corporation and paid, and the subscribing corporations do not avail themselves of their privilege to repudiate their contracts, the fact that unauthorized subscriptions were made by corporations afforded no defense to an individual subscriber to repudiate his subscription and defend payment of assessments on the shares subscribed by him.

Suit Against Directors

Also in *McCrary v. Chambers*, 48 Ill. App. 445, the directors of a national bank by resolution authorized the president to subscribe \$500 to a fund to be raised for the purpose of retaining a certain manufacturing company in town. Certain minority stockholders protested against the payment and brought suit against the directors to compel return of the money wrongfully misapplied. Affirming a decree for the complainants, the court held that a donation of the funds of a bank is *prima facie* unauthorized. Such power is not expressly given, nor is it apparent, in the absence of proof of special circumstances, that it is necessary to the proper and successful exercise of any express power. The court distinguished a decision of the Supreme Court of Illinois in *Richelieu Hotel Co. v. International Encampment Co.*, 29 N. E. 1044, in which it was held a corporation organized "to conduct a general hotel business" had power to make a donation to a fund to aid in establishing an international military encampment near the city. The ground of that decision was that the donation, being intended and likely to advance the financial interests of the hotel company, by bringing together near the city a large number of persons who would necessarily need hotel accommodations, it was but a judicious exercise of power incidental

to the general power given that corporation to conduct a general hotel business. The court said that while it might be conceded that the retention of the manufacturing company in town would be of general benefit and advantage to the city, it did not appear that the bank would be financially benefitted, except so far as it may share in the general prosperity of the community; "that its pecuniary interest will be advanced and directly forwarded cannot be assumed from the mere fact that a manufacturing company is induced to continue its business in the same city in which the bank is located. * * * The presumption is that mere donations are injurious to a bank and unwarranted. If the directors order such donations to be made they must be prepared to show the particular circumstances which called for and justified such a diminution of the funds entrusted to their care."

From this last cited case, the inference might be drawn that if the directors of a national bank could show that contributions to a pension fund were a necessary incident to the proper and successful carrying on of the bank's business, resulting in benefit to the bank by developing a higher degree of efficiency in the bank's employees, the power of the directors might be implied; furthermore a distinction might be drawn between gifts to outside enterprises and gifts to employees which, in the latter case, would be more directly for the benefit of the bank.

Basis of Authority

At the same time, the power of national banks to make gifts being denied by the American courts, it cannot be said at the present day that there is a sufficient basis of authority to warrant the conclusion that the giving of pensions to employees is within the power of a national bank or its board of directors. Pension funds may be created and may operate successfully, where no minority stockholder objects to the disposition of the funds in this manner; but should such a stockholder bring a test case to determine the validity of such funds, it cannot be affirmed with certainty that the power to create such funds would be upheld. Even where the plan contemplates

a partial contribution from the salaries of the employees, so as to superadd a contract between bank and employees to the gift of the bank, it is doubtful if the courts would hold that the bank has power to enter into such a contract. Congress has given directors of national banks express powers to appoint officers (which must necessarily include other employees) to define their duties and "dismiss them at pleasure." Under this it has been held that officers cannot be appointed for a stated term and that a by-law which provides that an officer shall hold office for a stated term, as for one year, is void. *Harrinton v. First Nat. Bank of Chittenango*, 1 Thompson & Cook (N. Y.) 361; *Westervelt v. Mohrenstecher*, 76 Fed. Rep. 118.

If officers or employees are subject to dismissal at pleasure, and a by-law or contract that they shall serve for a stated term is illegal and void, then how can the bank through its directors make a contract with them that, if they serve a certain number of years or become disabled they may retire and shall be entitled to receive thereafter a stated sum periodically? It is very doubtful if the bank has power to bind itself by a pension contract with its employees.

It would seem to follow, therefore, that it would be desirable that there should be express legislation to enable the bank to successfully carry out such highly beneficial purpose, by expressly conferring the power upon all national banks to

create pension funds, death benefits, bonuses and other forms of gratuities to employees, which legislation would define such power and its necessary limitations. Congress in the enactment of May 22, 1918, expressly authorized subscriptions by national banks to the American National Red Cross during the continuance of the war. By the prior act of January 26, 1907, Congress prohibited political contributions by national banks. To this extent, the making of gifts or contributions by national banks has already been regulated by Congress and it would seem eminently desirable that the subject of pension funds and other gratuities to employees should be expressly authorized and regulated by the national law.

To Educate Men to Prosperity

ANNOUNCEMENT of National Thrift Week to occur January 17-23, 1922, was made by Adolph Lewisohn, chairman of the National Thrift Week Committee of the Y. M. C. A., following a conference of thirty delegates on September 22, representing twenty-one national organizations which have indorsed and are cooperating with the movement. The first day of the week, Tuesday, January 17, Ben Franklin's birthday, will be National Thrift or Bank Day. Local Thrift Week Committees in at least 700 cities throughout the country will be urged to have patriotic observance of this event on that date in cooperation with the public schools, public libraries and patriotic orders. The daily schedule of Thrift Week for 1922 will be:

Tuesday, January 17, National Thrift Day; Wednesday, January 18, Budget Day; Thursday, January 19, Life Insurance Day; Friday, January 20, Own Your Home Day; Saturday, January 21, Pay Your Bills Promptly Day; Sunday, January 22, Share with Others Day; Monday, January 23, Make a Will Day.

The working bases of the program and the objectives of the program are summarized in ten points, as follows:

Work and Earn
Make a Budget

Record Expenditures
Have a Bank Account
Carry Life Insurance
Own Your Own Home
Make a Will
Invest in Reliable Securities
Pay Your Bills Promptly
Share with Others

Among the national associations represented at the conference were:

American Bar Association, interested in Make a Will Day.

American Bankers Association, interested in National Thrift or Bank Day.

Among the organizations represented in Budget Day were Girl Scouts, Boy Scouts, Campfire Girls and the Y. W. C. A.

Other organizations represented were the Savings Division of the United States Treasury, the National Association of Life Underwriters, the National Budget Committee, American Red Cross, American City Bureau, Morris Plan Bank, Musical Industries Chamber of Commerce, Home Owners Service Institute, Federal Council of Churches, the United States League of Building and Loan Associations, National Eyesight Conservation Conference.

Three new special features are announced for Thrift Week, 1922. The main objective will be a budget league of 500,000 citizens pledged

to use the budget plan in the management of personal income. The second objective will be the patriotic observance of Ben Franklin's birthday throughout the country. Last year this feature was an unusual success in Detroit where, by the cooperation of the public schools and the Detroit banks, 30,000 children, under the direction of instructors, visited 105 banks and trust companies after banking hours. The third new feature for this season will be emphasis on wise spending with the aid of personal and family budgets.

Last season J. H. Puehlicher, was chairman of the Milwaukee Thrift Week Committee, and in addition to teaching on Thrift and Savings, wise spending was emphasized in cooperation with the merchants' associations.

Some of the prominent bankers who are members of the National Thrift Week Committee are Adolph Lewisohn, E. C. Delafield, Bank of America; B. H. Fancher, Fifth Avenue Bank; Walter W. Head, Omaha vice-president of the American Bankers Association; Robert F. Maddox, Atlanta; H. A. Mohlenpah, Milwaukee; Kingman Nott Robbins, Farm Mortgage Bank Association, Rochester; Homer L. Ferguson is a member representing the United States Chamber of Commerce.

Greatest Convention in the West

AS this, the October, issue of the JOURNAL goes to press, the forty-seventh annual convention of the American Bankers Association is convening in Los Angeles under auspices most favorable for a conference from which business everywhere may receive a new impulse and new benefits.

On Monday, the opening day, 3,000 delegates had registered at noon and 4,000 were expected before night — the largest attendance at a western gathering in the history of the Association. Sir D. Drummond Fraser of London and other distinguished guests arrived early. Many on the New York special say that it was the pleasantest long trip ever taken. The delegates were greatly impressed by the efficiency and smoothness with which the entire program was running. The Easterners are marvelling at the little evidence of depression to be seen in southern California.

The general recognition of the great importance of the convention is concisely expressed by President Harding in a letter to Marco H. Hellman, Chairman of the Publicity Committee in Los Angeles. President Harding wrote:

"I am glad to express to you my keen interest in the forthcoming annual convention of the American

Bankers Association at Los Angeles. At such a time as the present, to an unwonted degree, I feel that the mutual conference and consultation, the exchange of views and

the appreciation and gratitude, not only of the whole American people, but indeed of every civilized people, for their service has truly been a great one in behalf of the maintenance of civilization itself."

A. W. Mellon, Secretary of the Treasury, also is deeply interested in the deliberations of the convention, as is evidenced from the following letter:

"With respect to the annual convention of the American Bankers Association, to be held in Los Angeles in October, I am glad to extend my best wishes for the success of the convention. I am glad also to have this opportunity to express to the American Bankers Association my sincere appreciation of the helpful cooperation which the Treasury has constantly had from American Bankers in the past, and my confident hope that the Treasury will continue to have the cooperation of the Association in meeting the many financial problems which confront the nation, with the broad vision and earnest effort that have characterized the Association's activities in the past."

The full and official proceedings of the convention will be printed in the November JOURNAL, making a volume of about 200 pages, and the magazine will be issued at the usual time, the 10th of the month.



SIR D. DRUMMOND FRASER

Distinguished Guest of the American Bankers Association Who Makes an Address on International Credits

assurances, which will mark such a convention, must be of nation-wide value to bankers, and therefore to the entire country. For the intelligent, brave and patriotic part which they have borne in behalf of the national interest in recent years, the bankers of America are entitled to

The Month of September in Washington

By EARL HAMILTON SMITH

NOTWITHSTANDING the Congressional recess, there were important developments in Washington throughout September, the leading subjects for discussion being:

1. Report of the Senate Finance Committee on the tax revision bill.
2. Development of sentiment in favor of postponing tariff legislation for several months.
3. The unemployment conference.

Ranking close behind these major problems came railroads, shipping, farm credits, possible exchange readjustments, tax collections and government expenditures.

Tax Revision

Leading the controversy over the tax revision measure was the action of the Senate Finance Committee in upholding the House and disagreeing with Secretary Mellon and President Harding, by providing that the repeal of the excess profits proviso shall take effect on January 1, 1922, instead of being retroactive to January 1, 1921. The departure of the committee from the advice of the Secretary of the Treasury on that point, and on others, gave rise late in the month to the rumor that the secretary intended to resign in a few months. At present there is nothing to show that Mr. Mellon has any such intention, if indeed he ever had.

Regardless of the feeling in business circles that making the repeal retroactive would have a stimulating effect on trade, it is unlikely that Congress will do so. When the Finance Committees of both Houses take the stand that it would be unwise to make the repeal go back a year, gentlemen of finance may be sure that they have found out it would be dangerous politics for them deliberately to misread the signs of the times. With the Congressional election coming next year, the Republican majority cannot face a popular clamor to the effect that "they passed a rich man's

law." They feel the country will see the wisdom of removing this drag on business, but not to the extent of making the law face backward. They believe the party would be embarrassed in explaining why Congress decided the country could get along without the millions the tax will earn for 1921 when the government is already unable to pay expenses. Bankers and economists see such matters from the scientific point of view, but the law makers are the judges of the political side. For that reason even the leaders in our Congress, or any other legislative body the world over, who are real statesmen, must keep an ear to the ground, be the popular rumblings what they may. It has been said "a statesman is a politician who is dead." No man in public life wants to be a dead one. If Congress makes the proviso retroactive it will be only after a terrific fight with the progressives, the waging of which will materially delay the enactment of the entire measure and cause a great deal of internal party bitterness.

The government says it needs \$4,034,000,000 for the current fiscal year, of which it hopes to get \$3,234,000,000 through the new tax law, the balance of \$800,000,000 to come from the customs, salvage and miscellaneous revenues. This is not "the material reduction in the taxes which burden the people," as promised by the party in power last year. Yet it is difficult to see how Congress can do otherwise. Speculative promises are one thing; hard realities are another. President Harding said in his recent letter to Senator McCormick that he hoped to see government expenditures reduced to \$3,500,000,000 for the current fiscal year. This would mean a great deal to the people if it could be done. The same is true of the administration's hope to get along in 1923 with only \$2,800,000,000, the amount expected from the revenue law when it is in full operation, plus the customs and other revenues.

It is too early to predict what the reaction will be on the floor of the

Senate, and later in the House, as to changes made by the committee in the clauses devised by the House, since Congress did not reconvene until the 21st. These changes include raising the corporation net income levy from 12 to 15 per cent. and alterations in the tax on freight and passenger rates. Any number of alterations will necessarily result before the bill passes all compromise stages so common in legislation, and finally becomes a law in November or December.

Senator Penrose

An unpleasant echo in the underground fights that have been going on here in regard to taxes, the tariff, farmers' relief, etc., with progressives and conservatives, Republicans and Democrats, and rival commercial interests pulling and hauling for the inside track, is the position of Senator Boies Penrose, chairman of the Senate Finance Committee and for a long time the uncrowned boss of the upper chamber. He came back to Washington after a severe illness of over a year's duration, which would have killed most men. In so doing he was immediately confronted with perplexities enough to tax the health and brain power of a much younger and more robust man. As a result he is said to have lost much of his authority, and an attempt may be made this winter to displace him, or at least to make him a figurehead. But his opponents will have to fight to accomplish either of these things.

The men clamoring for his head, who, however, do not seem to be in the majority, point out the unusual number of times Senator Penrose has been reversed in the present special session. He was overruled by his committee when he stood for the Mellon plan as to the retroactive excess profits levy. He brought out the soldier bonus bill and was compelled to take it back. He announced at the beginning of the session that there would be no emergency tariff legislation, but such a bill was passed in short order and is now in operation. Un-

doubtedly, some of these events were beyond his control, but they make talking points for those who want a change. Whether a new leader would prove as clear headed and as able is, of course, another matter.

The Sales Tax

Senator Reed Smoot's proposal to install the sales tax, in order to do away with what he calls "a jumble of nuisance taxes," was rejected by the Senate Finance Committee, but he will bring it up on the floor in his usual vigorous and persistent manner. Therefore the plan which has worked so well in the Philippine Islands for nearly twenty years will be fully explained to Congress and the country, no matter what happens to it when the votes are counted. Mr. Smoot calls his measure a "tax simplification bill," the principal feature being a manufacturers' sales levy. It contains only six forms of taxation, which he claims would raise as much revenue as the present complicated and uneven system. It would repeal every revenue law on the books "and write a new law that everybody would understand," according to the Senator.

Many members of the upper House are in favor of the plan, which is new only in this country, and the fact that it will be pushed in opposition to the regular tax bill by several men in both Houses, including some who are in the agricultural bloc, seems to have been overlooked to a great extent by the press and the public. The regular bill will pass, but the merits and demerits of the proposed innovation will be well known before the fight is over.

Senator Smoot's statement on his proposal, recently issued, is as follows:

"I estimate the receipts from these new forms of taxation as follows:

"Income taxes with the maximum rate at 32 per cent. so as to discourage investments in tax-free securities, about \$830,000,000.

"A 10 per cent. tax on the net profits of corporation, \$445,000,000.

"Tobacco taxes at the present rates, \$255,000,000.

"Estate tax, \$150,000,000.

"Import duties—and I do not believe the new tariff bill will yield more—\$400,000,000.

Figures on Back Taxes

"A 3 per cent. manufacturers' sales tax to be imposed only on the manufactured article and therefore does not pass to the retailer or the jobber, \$1,200,000.

"In addition the government will receive through the payment of back taxes about \$340,000,000; from salvaged war material, \$200,000,000, and from the tax on alcoholic beverages, \$75,000,000. Thus, the total receipts would be almost \$3,895,000,000."

The Tariff Problem

President Harding has served notice on Congress that he expects a new tariff bill without delay, and certainly before the end of the special session, which will run along through October and November, and might even continue to within a day or two of the opening of the regular session. It is trite to say that the entire country is waiting for it, and the special session was called primarily to provide for taxes and the tariff.

And yet, Congress is more at sea on the tariff than it was when it met last April. In fact, it came together with a pre-war mind, the Republicans to draw up a traditional high protection measure, the Democrats to oppose it with free trade arguments. Reports of the Federal tariff commission, based on conditions as they are, proved quite embarrassing to the old timers, and the advice of bankers and others that new conditions require new methods gave the legislators pause. In order to provide a breathing spell, they passed the emergency tariff bill, and then pushed through a typical high tariff of the pre-war days. The bill has since hibernated in the Senate, and there are not lacking prophets throughout the country who predict its postponement until the spring of 1922, and also that it will never pass without very substantial reductions in many schedules.

The day of the blanket high tariff policy for this country has passed, although the principle of protection

will continue to prevail to the extent that it is found to be necessary as to each industry. We are no longer a debtor nation, but a creditor one, and so we shall remain for generations. How can we do business with Europe if the bars are up too high for her to scale?

There is nothing new in that to bankers, but the fact that the old policy must be sharply changed to meet altered conditions seems to be new to some people in public life, or at least the application of this post-war knowledge is a matter of puzzlement to them. Rome was not built in a day and the United States can hardly be expected to make itself over in a day.

Unemployment Conference

As a focus of public attention on the unemployment situation in this country, the conference which began sessions in Washington on September 26 will be useful. Its immediate effect on bettering conditions will be slight. The purpose of the conference was to indicate the causes of unemployment rather than actually to find jobs for the millions who have none. Secretary Hoover had no delusions on that score, and it was a relief to find his attitude of mind reflected generally here, thus tending to confirm the suspicion that the country at last is becoming convinced that talk does not create prosperity, nor can brand new laws usher in the millenium.

Apparently the conferees, drawn from the leaders of business and labor, did not feel they could attempt actually to relieve present problems, but the survey may prove useful in pointing to ways and means of checking the anxiety and suffering which are expected this winter in many parts of the country.

President Harding and Secretaries Hoover and Davis believe a permanent employment policy will evolve from the sessions. The reports on seasonal work will be of some help in this regard, and beyond a doubt the \$500,000,000 which the Secretary of Labor says is available for public works, through state and municipal bond issues

which have been sold, could be, and may, as a result of the conference, be used to spread labor payments in a less haphazard way than has prevailed hitherto.

Railroad Questions

Tax relief on railroad freight, passenger and Pullman rates may be only one-half what the country expected, owing to the decision of the Senate Finance Committee to make a 50 per cent. levy in 1922 of the scale now prevailing. The House abolished these onerous transportation charges, much to the satisfaction of the public, from which pressure will be brought to bear on the House to insist on its original stand, when the bill comes back from the Senate.

The sale of \$20,204,000 in railway equipment trust certificates in September proved encouraging in Washington, being regarded as a means of beginning to reestablish the purchasing power of the lines. It is the opening wedge at any rate, for the ultimate disposal by the War Finance Corporation of this paper, totaling \$300,000,000. These sales were made in spite of the uncertain status, for the present, of the railroad refunding bill, which has passed one House and is waiting its turn in the other. Bitter opposition will face this measure every step of the way on the part of the radical members of the agricultural bloc. They will make parliamentary maneuvers against it while

jockeying to get all their own bill under the wire before Congress adjourns next June. Unless the distemper of these times is unusually virulent in Congress this winter, the refunding bill will pass, but not as readily as its proponents desire.

that it expected "to lose only \$60,000,000 a year on operating expenses."

In Buenos Aires

The Banco de Boston, as the Buenos Aires Branch of the First National Bank of Boston is known, soon will be housed in a building of its own in the heart of the financial center of Buenos Aires. The Spanish type of architecture shown here, and which is quite a contrast from the American, was adopted that the new building might be in harmony with its setting in the beautiful metropolis of the South. In addition to banking quarters, the new building will house American business concerns having agencies in Argentina. The construction of this building is a logical development of the trade relations which New England has for years maintained with Argentina. The shoe and the woolen industry draw much of their raw materials from the Southern continent and the First National of



Buenos Aires Branch of the First National Bank of Boston

Miscellaneous Subjects

Curtailling of government expenses continued apace during the month, offering a pleasant prospect that General Dawes may be able to save \$300,000,000 out of the current fiscal year sums which have already been appropriated. It recalls the statement of the late Senator Aldrich that the government was wasting \$1,000,000 a day.

The shipping board announced

Boston has been a prominent factor in the development of this trade. The First National Bank of Boston opened the Buenos Aires Branch in 1917. Its growth has been so rapid that it was found necessary to depart from the policy of leased quarters and provide for banking house facilities commensurate with the growth of business and the requirements of its customers.

England Must Take the Vow of Poverty

By ARTHUR BALFOUR

Deputy President of the Association of British Chambers of Commerce;
Ex-Master Cutler of Sheffield, England

THE optimists here in England talk about the world's hunger for steel. We have only to get coal, they assure us, and orders will pour in from all parts of the world—the world that is so hungry for steel. I admit at once that the world is hungry for steel. But a man may be hungry for food and clothes and yet be unable to get either. Hunger does not buy. What buys is capacity to pay. And this hungry world cannot buy, simply because it is a beggar. Let us stop talking about a hungry world, and instead talk of a beggared world. Then we shall be able to think and act constructively.

Our depression in the steel trade is shared by almost all the other trades in the country. Huge stocks are being carried. Huge stocks are accumulated all over the world. Huge stocks, mark you, of raw materials as well as of manufactured goods. The canceled orders in our warehouses are only the third row of this vast accumulation. The first row is in the warehouses of the foreign merchant—unsellable at any economic price. The second row is in the warehouses at the docks of the world—held there by bankers who begin to get nervous about their loans. And behind these two rows is the third, the home manufacturer's cancelled orders. The world is too poor to buy our steel, our cotton and our wool. We are all paralyzed, the whole industry of Great Britain is paralyzed by the poverty of the world. That is the truth in a nutshell.

In my opinion things will not begin to be normal before January, 1923. There will be a flutter of excitement when coal is once more coming out of the mines. Men speak of their orders. They assure us that they are only waiting for cheap coal. Well, I say that state of things won't last. We shall be right up against the poverty of a beggared world for at least eighteen months.

And the remedy? This. Until the world is on its feet, we in this country must sweat blood. There

must be such economy as no official at the treasury has ever visualized. Reductions mentioned by my home government, which caused a flutter in certain circles, are laughable. They simply represent the most colossal ignorance. We can do nothing by stripping away a piece of loose skin; we have got to cut down to the bone. Ruthless economy all round—the economy practiced by a very poor man—this alone can save us. The government, if it is wise, if it wishes to avoid a financial calamity without parallel in the history of mankind, must reduce its expenditure to the very lowest level conceivable. The

Back of Competition

Many observers agree that England is making real progress in readjusting herself to the new world conditions. This remarkable article by Arthur Balfour is of more than passing interest because it emphasizes the fact that leading business men of Great Britain see the enormity of some recent mistakes and now realize that only by heroic treatment can she emerge from her present plight. The article is indicative of the determination of English business men to "come back." It is also suggestive of the forces with which all business will have to compete for world trade.

lower it goes the quicker we shall be on our feet. For we can now keep going only by producing our goods at a price which an impoverished world can pay.

The problem is not a subtle one and not in the least elusive. It shouts at us. Look at Russia—out of business. Look at Central Europe—out of business. Millions and millions of the human race out of business, too poor to buy. How can we pay high wages, high taxes and a high price for coal with such a world as this for our customer?

And this brings me to the recent dispute in the coal trade. I regard this stoppage as a blessing in disguise. It has forced us to face the truth of the world's situation. We

now see the true proportions of our colossal problem. No patches can avail us. No economic hocus pocus can get us out of our ditch. We are confronted by the ruthless facts of economic law. The world is hungry, but the world is poor. There is only one way out of poverty—it is work. The world has got to work as it has never worked before. It has got to produce wealth. And it can only produce wealth by half-starving itself while it works. The most rigid, the most piercing economy must go side by side with tremendous industry.

We have been in a fool's paradise. We have printed money and flung it broadcast. The government manufactured money, and asked for manufactured money and got as much manufactured money as it wanted. With what result? The whole community thought it had discovered a new political economy. Work?—why should anybody work while the printing presses were so easily pouring out money and the government was spending thousands of millions without turning a hair? But now? We see at last the value of that paper money. In spite of all these millions, the great industries of this country have been slowing down month after month, until at last the stoppage in the coal trade was positively welcomed as an excuse to cut losses and to stand still. At last we understand that real wealth is created by work, and only by work, the work of the brain and hand, the work of the whole man.

British character will carry us through. We shall potter along. There will be unemployment, but we shall keep going. One thing this coal stoppage has done, at any rate in Sheffield, is to make the communist think. That poetic gentleman is no longer inclined to lose himself in a rhapsody. There is a very noticeable slump in socialistic eloquence. The constitutional trade unionist is recovering his former power. The facts are too strong and too menacing for the revolutionist. But the trades unionist

must have the courage to tell his people the whole truth. Now is his opportunity. He must tell them we are "up against it." He must make them see that unless the costs of production are reduced to a minimum there can be no chance of employment. Our customer is no longer a millionaire in a Rolls-Royce, but a beggar in the gutter. You cannot charge Lazarus the price you charge Dives. If you want to supply the needs of Lazarus, and if you want to set him finally in the affluent circumstances of Dives, you must sell him what he needs at a minimum price—the barest minimum. This is what our rivals are doing. They are working far harder than we, and they are working with a fiery energy of a tremendous hope, namely, the hope that they will capture and keep our markets. You may say that they are mothering Lazarus.

When I write that America has accumulated enough of certain alloys to last her twelve or thirteen years at the present rate of consumption you will reckon that I have good grounds for saying that eighteen months is the very earliest period at which we can expect an end to the present depression.

Labor is beginning to see that "over-production" is only a synonym for "too costly production." That's the whole point. Real over-production, if there is such a thing, means a cheap product, and that is exactly what the starving world wants. Ca'canny makes for dear product; in other words, for absolutely unsellable products; and that means unemployment. No, the more we produce and the more cheaply we produce the easier will it be for us to supply the world's needs. I rather think that the trades unions which are in close and amicable touch with manufacturers now appreciate that most important point. It is only political labor which is still disposed to talk economic heresy. The practical man knows.

To my home government I say: Let the nation be given a startling, a dramatic example in economy. Let the whole national expenditure be keyed down to the lowest pitch. The coal stoppage is only a warning. What we require, to pull us up and bring us to our senses, is an example. Luxury must be crushed; waste must be extirpated. The whole nation, as if under a religious

compulsion, must take the vow of poverty.

Let the government consider what would be the consequences of any great industrial collapse. The banks are already anxious. Many great firms are paying their wages and their taxes by means of overdrafts. All that money has got to be repaid. Suppose the banks get more anxious still. They have every right to be anxious under a government so financially reckless, so idiotically disposed to treat capital as an enemy. Well, suppose they get more anxious. What happens? One word will describe it, Ruin—such ruin as history has never known. There can be no escape from that. Our industrial greatness rests absolutely on three things: the moral character of the British people, the confidence of the banker in British solvency and the industry of the people. When the government plays with any of those things its rough hand is on the very heart of our national existence.

It is impossible to exaggerate our peril so long as our government (England) acts as if the world had inexhaustible money in its pockets.

There is a knocking at our door. And the figure that stands there is Lazarus.

Colorado Association

IN his annual address at the nineteenth annual convention of the Colorado Bankers Association, convened in Denver, President Albert A. Reed, vice-president of the United States National Bank of Denver, predicted a steady return to normalcy. A feature of the convention was an address by H. Archibald Harris, an authority on Federal taxation. His subject was "The Effect of Federal Taxes on Credits." Mr. Harris thought that tax-free securities were the principal cause of the past and present depression in all lines of industry and were the underlying cause of unemployment. The tax-free security he said, with its exemption from the Federal Income Tax, had proved to be a big investment attraction, which had taken millions out of circulation and out of all channels of business, resulting in a shut-down of industries and the throwing of men out of employment. Mr. Harris' address was frequently interrupted by applause.

President John S. Drum of the American Bankers Association, delivered an

address on "Colorado with Relation to General Conditions and World Trade."

Resolutions were adopted against radicalism, condemning Socialism, the Non-Partisan League, the I. W. W. and kindred organizations. Among the resolutions was one assuring the farmers and live-stock men of financial support from the bankers. Another resolution declared that where there was embezzlement the culprit, if captured, should be prosecuted. The latter resolution was adopted because the Association has been put to the expense of tracing and capturing the embezzlers, who later escaped punishment because restitution was made.

The officers elected for the ensuing year are as follows: President, W. F. Boyd, cashier Saguache County Bank, Saguache; vice-president, H. B. Mendenhall, cashier Rocky Ford National Bank, Rocky Ford; secretary, Paul Hardey, cashier Stock Yards National Bank, Denver; treasurer, A. H. Freichs, cashier Stockmen's National Bank, Brush.

The Colorado officers of the American Bankers Association are: Vice-President, Clark G. Mitchell, vice-president Bankers Trust Company, Denver; member of the Executive Council, Frank J. Denison, vice-president Hamilton National Bank, Denver; member Nominating Committee, E. I. Thompson, president First National Bank, Hugo; alternate member Nominating Committee, James Ringold, vice-president United States National Bank, Denver; Vice-President Trust Company Division, D. T. Stone, president United States Bank and Trust Company, Grand Junction; Vice-President Savings Bank Division, J. V. Cockins, president Central Savings Bank and Trust Company, Denver; Vice-President National Bank Division, Geo. T. Wells, assistant cashier Denver National Bank, Denver; Vice-President State Bank Division, Lynn Kennedy, cashier Union State Bank, Rifle.

The Crisis in State and Local Taxation of Banks

By ROBERT MURRAY HAIG, Ph.D.
School of Business, Columbia University

AFTER slumbering peacefully for more than a half century, the taxation of banks for state and local purposes has suddenly become a live, practical problem. At the time of the Civil War, Congress narrowly restricted the powers of the states to tax national banks. By the same token it imposed practically the same restriction upon the taxation of state banks as well, for, with the state banks in active daily competition with national institutions, a state legislature normally cannot place a tax burden on its own institutions more onerous than that imposed upon national banks. Within the restrictions set up by this early Federal legislation, the states proceeded to develop a method of taxing shares of bank stock. With the passage of years this method became highly uniform and conventionalized. It came to be considered sacrosanct—and was seldom altered by the tinkering of state legislatures. Then suddenly last June the Supreme Court of the United States aroused this venerable Rip Van Winkle by its decision in the *Richmond case* (*Merchant's National Bank v. Richmond*, June 6, 1921), which apparently makes it necessary for many of our most important states to amend radically their tax systems. For while Rip Van Winkle slept, life moved on. He now awakes to a new world. He finds the trusty old general property tax rotted and rusted away. He finds a generation of new and unfamiliar taxes such as classified property taxes with light rates on intangibles and income taxes applying to individuals and businesses. A radical adjustment is imminent and this adjustment presents a serious and pressing problem to the banker, for it is highly important that the new methods of taxing banks, which will be evolved in the months which lie ahead, shall be well considered and fair to the banking business, as well as to other types of business and to tax payers generally.

Present System of Bank Taxes

To understand what is involved in the present situation it is necessary to glance back over the history of this tax. It will be recalled that the establishment of the national banking system aroused considerable resentment and antagonism in the states. Secretary Chase recommended the plan twice, in 1861 and again in 1862, and the House of Representatives rejected it twice, before the bill was finally passed in 1863. The prohibitory tax of 10 per cent. on state bank notes, granting to the national banks a practical monopoly of bank-note issue, gave further cause for resentment in 1865. It should also be remembered that the establishment of the national banking system was to a considerable degree a measure of

Old Tax Rusted Away

"While Rip Van Winkle slept, life moved on. He now awakes to a new world. He finds the trusty old general property tax rotted and rusted away. He finds a generation of new and unfamiliar taxes such as classified property taxes with light rates on intangibles and income taxes applying to individuals and businesses. A radical adjustment is imminent and this adjustment presents a serious and pressing problem to the banker, for it is highly important that the new methods of taxing banks, which will be evolved in the months which lie ahead, shall be well considered and fair to the banking business, as well as to other types of business and to tax payers generally."

war finance designed to create an artificial market for United States bonds. It was under such circumstances that the present system of bank taxes developed. The localities were in many cases disposed to discriminate against the new Federal system—eager to block and hamper it. The national government was laboring under the burden of financing the Civil War and compelled to protect with the greatest care all agencies contributing to the accomplishment of its task.

This was the historical background. Happily, most of it has now faded out into nothingness.

By 1865 it had already been established, by decisions of the Supreme Court in cases arising from attempts to tax the early Federal banks, that the states could levy no taxes on these instrumentalities of the Federal government which Congress did not specifically permit them to impose. The original national bank act of 1863 was silent on this question of state and local taxation of the new banks, but in 1864 a clause was inserted which, while it sanctioned no state tax on the banks *as banks*, made it clear that the real estate belonging to banks was taxable by states and localities and that the stock of the banks in the hands of individuals was subject to such taxation with certain limitations. With minor amendments passed in 1868 this arrangement was incorporated into the famous Section 5219 of the Revised Statutes which reads as follows:

Nothing herein shall prevent all the shares in any association from being included in the valuation of the personal property of the owner or holder of such shares, in assessing taxes imposed by authority of the state within which the association is located; but the legislature of each state may determine and direct the manner and place of taxing all the shares of national banking associations, located within the state, subject only to the two restrictions, that the taxation shall not be at a greater rate than is assessed upon other moneyed capital in the hands of individual citizens of such state, and that the shares of any national banking association owned by non-residents of any state shall be taxed in the city or town where the bank is located, and not elsewhere. Nothing herein shall be construed to exempt the real property of associations from either state, county or municipal taxes to the same extent, according to its value, as other real property is taxed.

This is the clause which controls the taxation of national bank stock today and which is construed in the *Richmond case*. The states may not tax banks, but they may tax bank stock and tax it through the banks. Shares of non-residents must be taxed where the stock is located and the rate must not be

greater than that imposed upon "other moneyed capital in the hands of individual citizens" of the state.

It should be observed that, at the time, this was a really generous provision. The general property tax was universally in force. Theoretically everyone was taxed on his property, and when the bank was taxed on its real estate and the stockholder on the value of his holdings, the situation was adequately met. Apparently Congress intended that the banks and their stockholders should be placed on the same basis as other taxpayers, but took care to make sure that there should be no discrimination.

The various states promptly adapted their tax laws to the Federal limitations. The usual arrangement was to place the assessment of state and national institutions on precisely the same basis and to apply precisely the same rate. In some cases this rate was the same as that imposed upon property generally. In other cases the bank stock rate became conventionalized at a round figure such as the 1 per cent. tax in New York.

Equity of the System

It has already been pointed out that bank taxation has remained relatively static in the midst of change. The fact is that it should have been modified long ago and undoubtedly it would have been had it not been for the necessity of securing both Federal and state action. It was designed to achieve equal treatment for the banks under the general property tax. But even in Civil War times, in our most highly developed states, the general property tax was already rapidly breaking down. As the process of disintegration proceeded, the bank tax became progressively less equitable. The story of the change is quickly told.

Everyone is familiar with the breakdown of the general property tax. The administration simply proved itself unequal to the task of assessing it. As personal property of an intangible character increased rapidly in relative importance, the success of the assessors in listing it for taxation declined almost to the vanishing point. Bank stock is intangible personal property, but it was one type which the assessor

could always reach, thanks to the provision in Section 5219, quoted above, which permitted him to reach it through the banks! As early as 1878 this had brought about an acute situation in New York State, as is shown by the fact that in that year in the city of Albany bank stock paid 58 per cent. of all the taxes paid on personalty (New York State Assessor's Report, 1878, p. 16). The general property tax had become a tax on real estate, plus a tax on bank stock, plus a tax on a few widows, orphans and overconscientious security owners—certainly not an equitable system.

State Methods

The evolution toward more satisfactory state and local taxation, which has proceeded a long way in such states as New York, Wisconsin and Massachusetts, and a considerable distance in almost every state, has been in the direction of establishing new methods of reaching tax-paying ability represented by business and by owners of intangibles. The more progressive states no longer attempt the impossible task of listing all property and subjecting it to heavy rates. Many of them classify property and levy such rates as the different classes will bear without causing wide-spread evasion. Such laws have operated to render the bank-stock tax more equitable, for they did exact a substantial contribution from sources which would otherwise have escaped entirely. Some of the states, like New York, have gone further and have entirely abandoned property taxes on almost everything except real estate and have established state income taxes as a measure of the contribution from individuals, supplemented by a series of business taxes, based sometimes on income and sometimes on other standards.

Through all this change the bank tax has continued unaltered in form, but, strange as it may seem, it has changed in character. This change may be best illustrated by the New York situation, for here it has been developed further than in perhaps any other state. Years ago New York exempted mortgages and other secured debts from the general property tax and substituted a small recording tax. At this

time state and national bank stock was being taxed through the banks. At the same time trust companies were being taxed as *trust companies* (not the *stock* in the trust companies), the basis of evaluation being almost identical with the basis used in valuing the shares in state and national banks. The passage of the low-rate recording tax on intangibles did not disturb this arrangement for taxing banks and trust companies. In 1917 New York State passed a law taxing manufacturing and mercantile corporations on the basis of income. Banks could not be brought within the scope of the act and no change was made in the method of taxing them. In 1919 New York changed the recording tax and established a personal income tax under the provisions of which a resident of New York must include for taxation any dividends he receives from stock in New York and other banks. Again no change was made in the banking laws.

Measure of Ability

The mere statement of the facts is sufficient to indicate what has happened. Shares of bank stock were not accorded the same treatment as mortgages and secured debts "in the hands of individuals." The new state income tax was considered a measure of the tax-paying ability of the individual, but it gave no preferential treatment to owners of bank stock in allowance for the existing tax on their shares of bank stock. In short, the bank-stock tax was considered not a personal tax on the individual stockholders, but a business tax *on the bank*, just as the trust company tax is technically a tax on the company. Thus it comes about that under the new form of tax system now in force in New York the bank stock tax on state and national banks is properly comparable not with any taxes on individuals, but with the taxes on other businesses. Section 5219 has encouraged this conception of the tax by making it collectable through the bank and by insisting that the shares of non-residents be taxed where the bank is located, thus violating the ordinary rule of *situs* in the taxation of intangibles. How generally this change of character

is accepted is shown by the fact that the state and national bankers themselves habitually think of the tax on bank shares as a tax on the bank. They have even urged, through the officials of their organizations, that such taxes be recognized as deductions from the taxable income of the banks under the Federal income tax!

It must be clear that with the change in the character of the tax system in the various states, the bank-stock tax has come in reality to be something of an anomaly. It appears to be a tax on the individual shareholders, when in reality its nature has changed and it is a business tax. The question of equity now involves a comparison of taxes on banking with taxes on other business and a comparison of taxes borne by investors in bank stock with taxes borne by investors generally.

Significance of the New Decision

In the recent Richmond case the Supreme Court decided that shares of stock in national banks may not be taxed at a higher rate than that imposed on bonds, notes and other evidences of indebtedness. To most persons this decision came as a great surprise. It seemed to broaden to a marked degree the content of the term "moneyed capital." The words "in the hands of individual citizens of such state" had caused considerable trepidation in the minds of careful students like Professor Bullock of Harvard in connection with the establishment of classification with light taxes on intangibles. But the counsel of the lawyers was reassuring and the general understanding was that no discrimination existed so long as state banks were taxed in precisely the same manner as national banks.

It is not the purpose here to discuss the legal aspects of the problem—the soundness of the decision or the probable outcome of the pending litigation instituted by the banks to restrain assessments and to secure refunds of taxes paid in excess of those imposed on intangible property generally. It seems probable that the decision of the court will not be substantially modified by future interpretation. It is the practical consequences of the decision which here demand analysis.

In this discussion the Federal tax on banks is not considered. The income and profits taxes apply to both state and national banks alike and the other Federal taxes on national banks are offset by the special state charges against state banks.

If the problem be examined from the point of view of the banks, it will be seen that it assumes three different forms, depending upon the extent to which the general property tax has been modified by the states. Let it be assumed that Section 5219 is not amended by Congress and that the interpretation announced in the Richmond case is applied to the conditions as they exist in the states. What will be the practical effect?

The First Group

(1) Consider, first, the group of states of which Ohio, Indiana and Illinois are examples, where an effort is still made to tax all property on the same basis. The effect of the decision will be practically *nil* unless, indeed, on the foundation of this decision the banks can go behind the letter of the law and show, what is truly the case, that the assessment of other intangible property is a farce, with the result that there is actually, although not technically, a discrimination against bank stock. An amendment to Section 5219 is nevertheless a vital matter to bankers in such states as these, for the only well-founded hope of eliminating the present actual discrimination against bank stock is based upon tax reform—either classified property taxes or income taxes—which will be rendered practically impossible of adoption unless Section 5219 is changed. A state will hesitate to adopt a light tax on intangibles or an income tax if it means the sacrifice of the only method Congress now permits of reaching national banks. Bankers in such states would be very short-sighted to shut the door to tax reform by allowing Section 5219 to stand without amendment.

Minnesota as an Example

(2) In the next place, consider those states which have adopted the classified property with a light rate on intangibles, without adopting a complete system of personal

income and business taxes. Minnesota is a good example of this class. The Richmond decision apparently makes it necessary for such states to abandon their tax reform and revert to the old general property tax, if they are not to sacrifice the moderate and fair bank taxes which they now collect. As a matter of fact, the classification system has worked to the advantage of the banks in the states in which it has been adopted, for it increased manifold the revenue from intangibles; and in Minnesota, at least, the classification plan was established largely through the efforts of the bankers themselves! A reversion to the unworkable plan of attempting to tax all intangibles at a high rate is foredoomed to failure and would result in a heavier, rather than a lighter, burden for the banks. Bankers in such states cannot afford to see Section 5219 go unamended.

New York's Case

(3) There is a third class of states in which fall New York, Massachusetts and Wisconsin, which has gone a long way toward establishing a well-balanced, workable modern system of state and local taxes. To be specific, consider the New York situation. The new state personal income tax treats dividends on bank stock exactly as it treats dividends from other businesses, which is precisely as they should be treated. A resident of New York who receives \$10,000 as his share of the profits of a bank should pay just as much and no more in income tax to the state as he would pay if the \$10,000 came from the United States Steel Corporation or a local creamery. In consideration of the fact that the income is taxed, intangible property itself is, with very minor exceptions, exempt in New York. Under the Richmond decision the banks now claim that this exemption of intangibles invalidates the 1 per cent. tax on the stock of national banks. As already explained, however, New York couples with her personal income tax a series of taxes on business corporations, ordinary business corporations paying a tax of 4½ per cent. on their net income. Banks are not subject to this tax, as the tax on bank stock has come to be con-

sidered a practical offset. Do the bankers in such states as New York wish to put themselves in a position where they are entirely exempt from taxes on their business when all other types of business are asked to contribute? Such will be their position if they permit Section 5219 to remain as it stands.

It would appear from the foregoing discussion that the Richmond

decision has most important practical implications for bankers everywhere. An amendment to the Revised Statutes seems necessary. Several bills to accomplish this have already been introduced into Congress. At the conference of the National Tax Association in September a committee was appointed to formulate and support an amendment which would meet the situa-

tion throughout the country generally. The bankers should consider this problem and support an amendment which properly protects their interests, but which will enable the taxation of banks to be arranged on an equitable basis as a part of the modern tax systems which are being established in the states.

Universal Numerical System

NUMBERS used to designate cities and states are termed prefix numbers.

Forty-nine of the leading collection centers, including the reserve and central reserve cities and the cities of Buffalo, New York and Memphis, Tenn., were given the numbers ranging from one to forty-nine, same being assigned in the order of the population of these cities as shown by the government census of 1910. In this arrangement Brooklyn is included with New York City, Kansas City, Kan., is included with Kansas City, Mo., and South Omaha with Omaha.

The states were divided into five sections, Eastern, Southeastern, Central, Southwestern and Western. The state containing the principal collection centers in each section was placed at the head of its section and the other states in each section were arranged in alphabetical order. Prefix numbers from 50 to 58, inclusive, were assigned to the states in the Eastern Section; 66 to 69 to the states in the Southeastern; 70 to 79 to those in the Central; 80 to 88 to those in the Southwestern and 90 to 99, inclusive, to those in the Western Section. Prefix numbers 59 and 89 were reserved to be assigned later to Alaska and the island possessions of the United States. The clearing houses in the forty-nine cities that were given the prefix numbers from 1 to 49, inclusive, had previously designated their respective members by numbers.

Numbers corresponding to these so-called clearing house numbers were assigned to the clearing house member banks in these cities and the other banks in each of these cities were arranged in the order of their seniority and were so numbered.

This same scheme was followed in assigning the numbers to banks in the largest city in each state, outside the forty-nine cities above referred to.

All other cities and towns in each state having two or more banks were arranged in the order of their population. The banks in each city or town were arranged in the order of their seniority and beginning with the lowest number not already used, the numbers were assigned to the banks in the order so arranged. The one-bank towns in each state were then arranged in alphabetical order and the banks in these towns were numbered in the order thus arranged, the bank in the town heading the list being given the lowest number not in use, etc. Blank numbers were reserved in each city of 5,000 population or over, to be assigned to new banks and numbers are available for assignment to new banks in other locations.

Savings Effectuated

Through the use of this system in registering transit items instead of writing out the names, many thousands of dollars are saved annually in time and labor. This saving is participated in by every bank, either directly or indirectly, and in proportion to the volume of its business.

The observance of the following suggestions by every bank will materially facilitate and expedite the handling of transit items and will insure the realization of the greatest possible benefits from the system:

1st. Indorsing all transit items with an indorsement stamp bearing in figures of bold and distinct type the transit number assigned to it.

2d. Having printed in figures of plain and distinct type, immediately following its name on all checks drawn upon it, on all of its certificates of deposit and all of its cashier's checks, the number assigned to it. If the title fills the space across the item (but in no other case) the number may be placed in the extreme upper right-hand corner.

3d. Having its number printed in the same manner as in suggestion No. 2 on all drafts on or "payable if desired" at its correspondent, also having printed on such drafts and immediately to the right of the name of its correspondent the number assigned to said correspondent. (In cases where there is not sufficient space to right of the name of the correspondent for its number, the number may be placed immediately in front of the city where payable.)

4th. Drawing drafts to be sent in payment of remittances to the order of the banks instead of to the order of bank officers.

The plan provides for the publication by the official numbering agents of a book, known as the "Key to the Numerical System of the American Bankers Association."

This book contains a list of the banks in each state, together with the numbers assigned to each arranged in alphabetical order, also contains in a separate division a list of the numbers of banks in each state, together with the banks to which they are assigned, arranged in numerical order. It is a convenient reference from which can instantly be learned the name of any bank whose number is given or the number of any bank can be secured if the name is known.

The cost of this "Key" is \$1.50 and it may be had upon application to the Secretary of the Clearing House Section. Supplements thereto are published semi-annually, giving new numbers assigned, cancellations and changes. These supplements are distributed free to the holders of the "Key."

We urge every bank in the United States to adopt this system if they have not done so. As a saver of time in the transit departments it could not be improved upon.

Should a Small Bank Analyze?

By DALE GRAHAM*

Mississippi Valley Trust Co., St. Louis, Mo.

THE answer to the question "Should a small bank analyze its accounts?" is probably "yes," with reservations. The extent to which the reservations apply depends upon an infinite variety of circumstances—the size and location of the bank, its policies, its competition, the class of its customers, and the character of their accounts. If the existing combination of such circumstances will permit the correction of the undesirable situations which an analysis may bring to light, then a bank should analyze. Otherwise, it should not.

The Small Account Problem

One of the first things a banker will find analyzing his business is that he has on his books a considerable number of small accounts with balances insignificant when compared with the expense of handling and rendering the services which they command and receive. Almost any active account under one hundred, or even two hundred, dollars may be included in this group.

To large banks small accounts present a grave problem: They build up clerical expenses without materially increasing gross income. Most city banks either refuse to carry them, or protect themselves against loss by assessing a service charge of from fifty cents to two dollars per month when an account falls below a certain minimum and reaches a certain point of activity. From the customer's standpoint such a charge is entirely just, as there appears no logical reason why the bank should furnish him a pass-book, checks and deposit slips, do his bookkeeping for him and afford him the convenience of a checking account without being reimbursed in some form or other for actual expenses, any more than his butcher should sell him meat for less than cost.

But the large bank can afford to deal more rigidly with this class of customers than the small institution, partic-

ularly the one in the small community, for, having attained considerable size and a certain degree of independence, it can serve its own interests best by catering more exclusively to larger business. Although the "business-gets-business" theory, which necessitates a young institution's holding every account it can get for its indirect, intangible and potential value, holds true even in the large city where the population is less intimately organized, nevertheless individuals are not so much inclined to follow their neighbors in choosing or rejecting banking connections.

The country bank is seldom able to handle its small accounts arbitrarily. If it is the only bank in the district, it, like the country doctor, must serve its community with thought of remuneration in

indirectly to them, and is net over what they would have had were the account closed. Even the slightly larger bank does not suffer to the same degree as the big institution which has small accounts in such proportion that their removal would allow a reduction of operating expenses.

The outlying bank in the large city is in a better position to cope with the problem. It also has more reason to be on its guard, for it will be offered accounts which the down-town institutions have refused or rejected. But the people become educated by the large banks that small accounts are not profitable, and through cooperation outlying banks in several cities have been able to successfully enforce service charges.

The small bank which operates a savings or safe deposit department, or does an insurance or investment business, may occasionally place a small customer's business relations on a paying basis by constant cultivation. This is often the only possible procedure.

Large Account that is a Loser

Turning his attention from small accounts to larger ones, the banker may be surprised to learn that a few of those he valued most highly are not so profitable as he thought. It is in seeking out such accounts that an analysis is of great service, for in many instances the causes which make the large accounts unprofitable may, by tactful methods, be removed. Look out for the customer who

ANALYSIS OF ACCOUNT				
Name <i>Brulson Mfg Co</i> Date <i>Aug 26</i>				
Month <i>Aug 25</i> 1921				
	One Day	2 Days	4 Days	Bank Balance
26	421	16	136	220
27	317	102	811	1006
28				1006
29	218		622	1250
30	90	175	317	1142
31	120		181	931
1	425	500	120	1121
2	411	25	416	925
3			333	916
4				916
5	460	136	429	1140
6				1140
7	130	350		1420
8			400	1220
9	222	75	372	215
10	200		111	208
11				208
12	116		203	141
13	20	213	186	125
14				125
15	150			126
16	211	116	58	405
17			120	302
18				302
19	316			117
20			117	217
21	50	423	316	505
22			125	186
23	152	315		317
24	225	45	316	347
25				347
	5354	2701	6551	16416

SUMMARY	
Total of Daily Balances (Divide by days in month)	30,16716
AVERAGE DAILY BALANCE	557
One-day items	5354
2 X Two-day items	5402
4 X Four-day items	26204
First One-day Item (Divide by days in month)	36960
AVERAGE DAILY FLOAT	1232
NET BALANCE OVERDRAFT	675
15 % Reserve	84
LOANABLE BALANCE DEFICIT	759
GAIN for month at %	3.79
LOSS	4.50
Unpaid Checks	198
Pay roll 375 4 days from mo.	1027
Have 10% loan 61%	

Fig. 1. Form for Analysis

individual cases holding a place of secondary importance. If it is one of two or three banks in the town, competition is usually so keen, and the ever-to-be-courted public opinion so susceptible to unfavorable criticism that it cannot afford to resort to the "kick-out" method of eliminating unprofitable business.

Fortunately the item of overhead is not so burdensome in the small bank. Especially in the country institution a considerable part of the routine work is done by the cashier or other officials, who are often also principal stockholders. Under such circumstances however little an account may contribute to gross income, the amount accrues directly or

1. Deposits checks which require from one to four or more days for collection and checks against the balance thus built up before the proceeds are available.

2. Requires the bank to keep cash on hand to meet his payroll requirements.

3. Receives from the bank expensive check-books—often printed for his individual use—or great numbers of payroll checks.

4. Asks the bank to remain open after business hours and keep additional currency on hand to cash pay checks for his employees.

5. Deposits currency and sends large checks out of town, thereby necessitating continual shipments of cash to restore balances with correspondents and the Federal reserve bank.

6. Deposits numerous sight drafts on individuals in other cities, which require separate mailing and incur considerable postage and stationery expense.

7. Discounts his customers' notes with the bank.

*Mr. Graham, author of the article, "Shall a Small Bank Analyze?", was connected with a small bank for a number of years.

8. Continually stops payments on his checks, laying the bank liable in case of inadvancement on the part of the bookkeeper.

The above do not, with the exception of checking against uncollected funds, necessarily constitute things a customer should not do, nor is it intended to imply that they invariably result in losses to the bank, but they are services which the customer should adequately pay for with a respectable balance. The bank has a right to expect and demand that he pay for them.

Preparing the Analysis

A form such as Figure 1 is all that is needed for a simple and comparatively accurate analysis of an account. This blank provides lines for the principal items and allows space for additional calculations and corollary remarks.

Book Balance vs. Float

The manufacturer with an out-of-town market, the grocer, the insurance agent, the wholesale produce company, the merchant in a neighboring town—in fact, any customers who make frequent deposits of checks—may be drawing against their uncollected items, or float. In determining whether or not this is the case the first step is to provide a schedule of time outstanding which will be applicable to items on various points. Checks on other banks in the same town, when deposited too late for clearings, should be subject to a one-day deduction; deductions for out-of-town items should be based on the Federal reserve bank's schedule of deferred availability (plus one day, transit time to Federal reserve city) if the analyzing bank is a member, or on the actual time required through the agencies employed, if the bank is not.

When the deposit of a customer whose account is under analysis is received, the teller, or whoever receives it, should mark with his pencil opposite each item as listed, the number of days it should be outstanding according to the schedule. For convenience small items of the general run may be arbitrarily included in the one-, two-, and four-day groups (whichever is most correct) and posted in the proper columns in the schedule, Figure 1. Larger items can be posted into the two columns which together equal the proper number of days.

The necessary posting having been done each day, the columns should be totaled at the end of the month and the amounts carried into the summary and reduced to a one-day basis as illustrated. Likewise, the book balances shown at the close of each day's business should be posted into the column provided for the purpose and, at the close of the month, totaled. Dividing the amounts by the number of days in the month will produce, respectively, the average daily float and the average daily balance. The difference between these

will be the net balance or the net overdraft.

It will be noted in the illustration that, over the entire month, the Excelsior Manufacturing Company's float exceeded its balance by six hundred seventy-five dollars. No doubt on some days the overdraft was even greater, but the method of computing net balances daily is so complicated that it will be omitted from this discussion.

Reserves

The overdraft shown by the first operation is not, however, the entire deficit. Although fictitious, the book balance of \$557 calls for an 8 per cent. reserve with the Federal reserve bank, and business requirements necessitate an almost equal amount in cash and with correspondents. If the analyzing bank is not a member of the Federal reserve system state laws provide for a certain reserve. Each institution may determine its true reserve percentage by dividing all its cash on hand and balances with other banks by the total of its demand deposits.

So an additional \$84 is added to the deficit, making a total of \$759. This, at 6 per cent., would cost the bank \$3.79 per month, or represent an annual loss of \$45.48.

Non-Member Banks

Though not less hazardous, the account of a customer who checks against float is, technically, not quite so unprofitable to the non-member of the Federal reserve system as to the member. The reason for this is that state laws ordinarily allow banks to include in the calculation of their reserves, balances with city correspondents, whether such balances are in realized funds or not. Out-of-town checks, when addressed to a correspondent, placed in the mail, and charged on the books of the forwarding bank, become legal reserve notwithstanding the fact that it may be four or five days before they are converted into cash. Therefore, this float, up to a certain amount, will take the place of cash or realized balances as reserve for other deposits. Actual balances may be withdrawn as fictitious balances are set up. This, however, applies in no way to local checks held over for clearings the next day.

In actual practice the fact that the bank can utilize a customer's float does not justify his being allowed to carry his account on such a basis. It is therefore advisable for the non-member, as well as the member, to take outstanding items thoroughly into account.

Miscellaneous Considerations

PAY ROLL ACCOUNTS—Any surplus cash which is held to meet the needs of a customer for his pay roll should be

given consideration in the analysis, and interest computed at the current rate for the proper amount for the proper time. If any shipping expenses are incurred, they, also, should be added.

STATIONERY—It should be needless to say that customers who receive considerable quantities of checks, deposit slips, customers' notes, sight drafts, coin wrappers, etc., gratis from the bank should be charged in the analysis for the cost of such supplies. It is not necessary to devise an elaborate system to keep a record of all check books and other stationery given out; only the more important items need be considered.

ACCOMMODATION SERVICES—Staying open in the evening to cash pay checks often results in acquiring new savings accounts and is usually worth while, but handling sight drafts, issuing exchange without charge, acting as collection agent, holding securities for safe-keeping, and furnishing rooms for stockholders' and directors' meetings are services for which a customer should maintain a commensurate balance.

ACTIVITY OF ACCOUNTS—In this analysis no attention has been paid activity, as in the ordinary small bank it is difficult to so allocate expenses that "per item" figures have much importance. Any bank which cares to do so, however, might count a large customer's checks and charge them up to him in the analysis at a nominal figure, say one cent each. Extreme activity, while it may not occasion additional expense for the bank, may be used as a talking-point in convincing a customer he should carry a larger balance.

THE CUSTOMER WHO DRAWS CHECKS IN ANTICIPATION OF DEPOSITS—Such a practice, while it may not result in an immediate actual loss to the bank, is nevertheless a warning that the customer is a dangerous one. From the habit of covering checks the day they are due for presentation often springs wilful manipulation, or "kiting."

Account analysis should prove interesting as well as profitable to the small banker, for it will enable him to know just who his best customers are, and encourage him to cultivate the business of those whose account can admit of improvement. In the average bank the methods outlined above should not require more than a few minutes of a clerk's time daily, and slightly more than an hour at the end of the month.

Convention Calendar

DATE	ASSOCIATION	PLACE
Oct. 3-8	A. B. A., Los Angeles, Calif.	
Nov. 28-29	Castle Hot Springs, Ariz.	

Bank Lighting, Natural and Artificial

By ALFRED C. BOSSOM

LIGHTING—of all the physical conditions of a bank building—unquestionably has more effect upon the efficiency of the working force than any other one detail. Fully 75 per cent. of the staff in any large bank wear eyeglasses. This is unjustifiable and can readily be prevented if the building is designed scientifically.

In banking houses located on corners this is easy, and where the building is in the center of a block it can also be done with facility provided a reasonable amount of ingenuity be exercised. A bank building gains two advantages by having large windows. It enables those inside to have satisfactory light and those outside to observe what is going on within, and consequently not only encourages other customers to enter, but also forms a great protection as, obviously, attacks cannot be made with much likelihood of success in such conspicuous locations.

Lighting comes under two heads, natural and artificial. The natural lighting must be provided by windows or top lights. Concerning the arrangement of windows, they should be brought as low to the floor as the general architectural treatment will permit, sufficiently so to enable passersby to see within, but they should not be so low that they form convenient ledges for loafers to rest upon. Where the main windows cannot be brought to this level smaller windows should be arranged so as to avoid the prison-like appearance given by unbroken walls surrounding the bank for the lower ten or twelve feet.

The heads of the windows should be carried as near the ceiling as possible.

The best form of window is of the double-hung type, but beyond the width of about five feet this is not desirable. At that point either mullions or metal frames must be introduced. The best material for all windows unquestionably is white pine, but here again, when the windows become too large, it is not suitable, as it requires the mullions to be of such a dimension that too much light is obstructed. Where

pull the window up tight, and that is essential.

Friction pivots on large windows which swing can be used in locations where the wind does not blow much, but in any exposed location it is only a matter of time before the wind will loosen these and cause annoyance, irrespective of the fact that they are weatherstripped against such disadvantage.

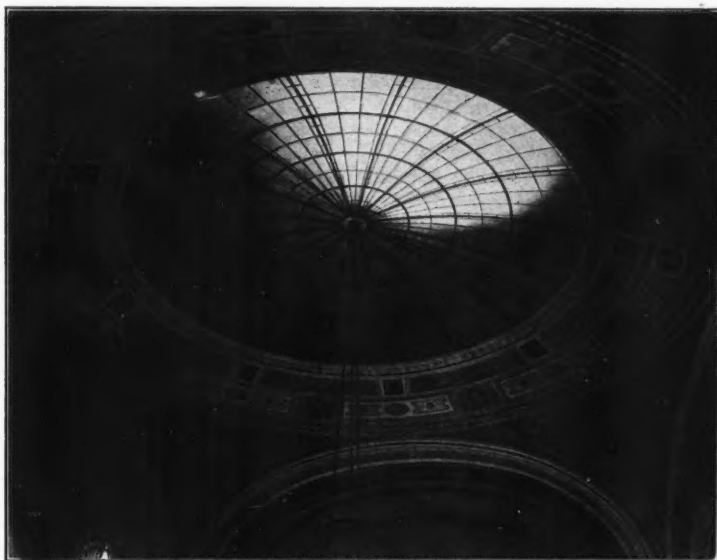
Large glass surfaces at the back of cages or in officers' spaces should have a double or inside window up several feet above the level of the

sill. The internal air blows cold against the glass and runs down in a cold stream, giving not only colds, but rheumatism to those in the immediate vicinity. The double window prevents this, provided that the space between these two windows be heated.

In the higher banking rooms, due to the value of space, the great majority are equipped with mezzanines that cross in front of the large windows. To get the maximum advantage

of the light under these circumstances the mezzanine should not be made too deep, nor should the balustrade at the front of the mezzanine be made any heavier than absolutely necessary for protection against accident.

The prominence of all bank windows is such that plate glass is the only material that should be adopted, even in comparatively small banks. The cheaper glass gives an unsatisfactory appearance when so near the eye level. Polished wire glass, which consists of plate glass with a chicken wire in it sometimes can be used advantage-



Dome Light Showing the Treatment of Slightly Tinted Glass

metal is employed bronze is best; copper kalamein next, iron of some non-rusting type or iron kalamein. All windows should be made to open as far as possible for the sake of ventilation. Where they are not of the regular double-hung type the form of opener should be practical. Heavy windows moved with strings or cords sooner or later give trouble. Chains are better, but the best form of opener is one similar to that used in the greenhouse, as that works on a rod, and while these are not beautiful unless very carefully designed, they are the only practical fastener that will really



Indirect Lighting in Officers' Space. Photograph Taken Without Other Light

ously in places where there is a possibility of stones being thrown through the windows. The wire is inconspicuous, but it does prevent anything passing through except with successively violent blows.

Top lighting may take several forms, either a flat glass ceiling with a regular skylight over it, a circular saucer dome on the inside with a dome or skylight forming the exterior, or a single skylight. The single skylight is a source of risk, for it is hardly ever entirely weatherproof, or if weatherproof when built does not remain so. The most practical is a flat glass ceiling treated in some ornamental manner with a regular square metal skylight above, far enough from the roof so that the snow does not beat against it, but sufficiently near so that the light is readily transmitted from the upper through to the lower level. In circular skylights or domes it is advantageous to keep the upper or outer skylight smaller than the lower one, as they are sources of weather risk at all times, and sufficient light will spread through the comparatively smaller aperture. As an example, the Pantheon at Rome is 142 feet in clear diameter on the inside, and yet it is entirely illuminated in a most satisfactory manner by an eye in the center of the ceiling twenty-eight feet across.

The space between the inside glass and the outer skylight should be painted white, so that no matter from which angle one looks upwards there is no black spot in the skylight. Here again the materials desirable are similar to those for the outside windows. Copper or bronze is the best. Galvanized iron, or Toncan metal, Armco iron or some other slowly rusting material

are next, but where anything except bronze or copper be used it is essential that they be painted frequently, otherwise leaks will occur sooner or later.

The nearer skylights are made to a square angle the easier it is to make them weatherproof, and the more fancy or elaborate they become the more difficult they are in this respect. The space between the upper and the lower glass levels should be well heated, otherwise condensation will almost take the form of raindrops. The glass should be held in place with metal clips as far as possible, and no reliance should be placed on putty or other material which is liable to deteriorate.

All skylights should be so arranged that it is not difficult to get at them, both from above and below, to clean them thoroughly, as a top light that is dirty is absolutely useless. The glass in the lower skylight can be made slightly tinted with advantage. A slight straw color, or lavender, will often produce the effect of sunshine within, even on the dullest day. The world-famous example of this is Napoleon's tomb in Paris, where no matter what the condition outside sunlight apparently streams into the building.

All top lights should be protected not only by having wire glass, but by a wire screen over them, sufficiently far above so that even though a brick fall with great velocity upon this screening material it will not bend far enough to break the glass below.

As to protection, where the windows come particularly low to the ground protection bars should be installed. These, however, should not make the building look like a prison. They can be ornamental and at the same time afford actual protection.

The object of every banker should be to make his institution a "daylight bank." Such a bank is a happier place to work in and more desirable for customers to visit.

Regarding the artificial lighting, electricity is the only medium now used. A certain amount of ornamental lighting is desirable, but for real utility specific requirements must be met. In every large monumental banking room the great

hanging chandeliers add materially to a dignified appearance, but these should not be relied upon to provide illumination for the workers. In smaller rooms less pretentious fixtures are usually adopted and are of more real value. They can be used with either semi-indirect, or totally indirect lighting. The semi-indirect or partially indirect fixtures usually give the most satisfactory results, though not the most interesting form of lighting. Semi-indirect fixtures cast soft shadows, an essential condition to anyone using a pen or a pencil, but the totally indirect or entirely reflected light eliminates shadows. About four years ago a large insurance company equipped all of its offices with totally indirect fixtures, but had to rearrange this entire lighting as the employees found they were getting eye-strain due to the lack of shadows cast by their pens. The same condition prevails among seamstresses. Consequently it is felt that in a bank the partially indirect fixture is the most desirable.

Fixtures on the top of the bank's screen that were once universally used are now generally omitted. They were not beautiful and did not give light where it was required. The most desirable and satisfactory form of light and the one now generally used is a long tube lighting following the line of the cages and screen work, so that it always reflects down upon the desks, but does not glare in the



Lighting Arrangement by Semi-indirect Method

eyes of the employees. The general type consists of a metal cove with a ground glass lower diameter, which is always under the direct control of the worker himself by means of a pull-chain electric socket. This light at the counter makes the face of the customer conspicuous and does not shine in the eyes of the teller.

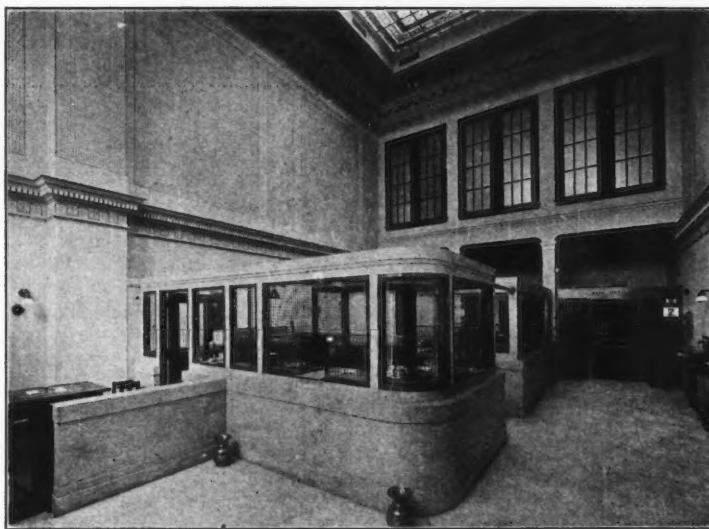
Where funds are limited a fixture in a green glass shade can be employed in place of this continuous tube lighting, but it does not give anything like the same efficiency and is more liable to damage.

It is desirable that a light should be installed underneath the teller's counter, for money is frequently dropped and difficult to find, and a light placed in this position very soon pays for the expense incurred in installing it.

The officers in most banks are now trying to take all impedimenta from their desks. The lighting of the officers' space is, therefore, best provided by means of some overhead lighting wherever possible, the isolated desk fixtures on the desk being taboo.

In the general floor space, wherever bookkeepers are employed, there should be a regular system of floor outlets that will harmonize with almost any arrangement of desks that may be installed. This means a slight additional expense in the first period of installation, but in a short time will amply compensate the bank, as it not only will have saved the inconvenience of tearing up the floors, but will also enable a quick rearrangement of desks, a condition quite impossible where specialized lighting arrangements have been developed for working desks.

Directors' rooms are used so sel-



Banking Room Receiving Light From Top and From Window in Rear Wall, Which Carries Light From Directors' Room

dom that the badly lit spaces of the bank are available for this purpose, and here a nice, attractive fixture can be used for an ornamental electric light treatment. Rooms with period character are now frequently required and fixtures in harmony with this are employed.

In book vaults, stationery rooms and storerooms, where the lights always have to be used, it is advantageous to have a pilot light, or tell-tale light, outside the door, so that anyone passing can tell if the lights are burning within. Such a light is inexpensive, but it saves a great amount in electric bills.

The average bank, in the past, was usually dark at night, and in consequence was considered an undesirable neighbor by tradesmen. However, flood lighting from across the street is very frequently adopted now, and this not only makes the building more desirable from the neighbor's point of view, but adds materially to the advertising value of the structure. Most banks are located in prominent parts of the town and often more people pass in the evening than during the day. If the bank is properly lit up it is seen, otherwise it is passed without notice.

Bank basements, wherein arti-

ficial light is always essential, should, wherever possible, have daylight let into them through areas, but these areas should not be sources of weakness, as they can, if not properly attended to, be readily entered without observation, and consequently it is most desirable that suitable protective bars be provided.

Under the sidewalk good sidewalk lights will often make space available which, considered in conjunction with the

ventilation through basement windows, is an overlooked opportunity. Many a banker in the present time of congestion has taken advantage of this with benefit and saved the renting of additional space.

Where the sunlight is too strong it is better to use curtains to shield the light than to use ground glass, as ground glass holds dirt and does not soften the light sufficiently.

Generally speaking, a banking room can be made or marred by the arrangement of the natural or artificial lighting. Rooms that are cold in appearance can be warmed immeasurably by slightly tinting the electric bulbs, or by using slightly tinted glass in the skylights, but this must be handled delicately and with subtlety, otherwise it can be easily overdone.

It is always advantageous to the banker to remember that if the lighting of his employees' desks is not satisfactory he cannot get the best results, and this will immediately react upon the bank's clients, as a man suffering from eye-strain is irritable unconsciously, whereas if the lighting is handled with care there is a pleasantness about the employees and an inviting character given to the structure which is eminently desirable.

Bank Deposits and Checks

Suggestions for Speakers by the Committee on Public Education

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IF you are in any kind of business, including the business of running a farm or a household or the business of exchanging your services for money, you should have a check account in some bank. Many men and women postpone from week to week, and from month to month, and so on indefinitely, the opening of a bank account solely because they think the amount they are able to deposit at one time is too insignificant. Such persons do not appreciate the fact that the primary purpose of any bank is public service, which most banks are ready and willing to perform, not only as a duty, but in realization of the fact that the small depositor of the present may become the large depositor of the future. It is not necessary to know personally any officer of any bank in which you wish to open a deposit account, but in view of the confidential relationship that should exist between the bank and its depositors some sort of introduction is necessary. Any bank officer or employee will suggest proper procedure. Upon opening an account you will be given a "Bank Book," otherwise known as a "Pass Book," in which all deposits are recorded. You will also be given a "Check Book" containing blank forms of orders upon the bank for the payment of money to anybody that you may name. The typical check book is so arranged that when the checks are taken out a small page or "stub" remains. The stubs provide a place for entering memoranda regarding deposits made and checks drawn.

Bank Books and Statements

It has been said that the bank book is the greatest book in the world except the Bible. It serves as a receipt for money deposited and should be presented to the bank with each deposit made. This may be done by the depositor personally or by messenger or by mail. Most banks ask that pass books be delivered to them the latter part of each month in order that such books may

be "written up," that is entries made of checks paid as well as deposits made. Many banks have adopted the custom of sending to customers periodical statements showing deposits and withdrawals in detail, with the balance remaining in the bank to the credit of the depositor. When thus "written up" the pass book is returned to the depositor together with the checks paid and cancelled. When the statement system is used it becomes the official record of deposits and withdrawals and the bank book merely serves as a receipt for money and checks deposited.

Deposit Tickets

A deposit ticket is a list of the various items that constitute the total amount of any one deposit. Banks furnish printed forms of deposit tickets which provide for the classification of specie, paper money and checks. Checks are usually subdivided so as to indicate checks drawn on local banks and checks drawn on banks in other cities or towns. A deposit ticket should be made out for every deposit brought to the bank. Your own handwriting on a deposit slip is the best insurance against mistakes, and it also minimizes inconvenience, as to ask a teller to do such work not only takes his time but holds up others in line. It is good to get the habit of making out one's own slips. They are retained on file by the bank and may be consulted at any time upon request. When making your deposit, head the slip with your name as it appears on the account, and list the various items in accordance with the printed form. Be sure that all checks to be deposited are properly indorsed.

A check is a written order on a bank to pay a certain sum of money to somebody. Checks are usually made payable to some person, firm or corporation and are usually written on blank forms furnished by the bank on which such checks are drawn. Checks should be made out

fully and clearly in order that the bank may know exactly what you are ordering it to do. See that the written amounts and figures on your checks are identical. In case they do not agree, the written amount takes precedence over the figures, but the bank may decline to pay either amount because it does not know your exact wishes. In this event the check would be returned marked "Amounts differ." Do not place the figures so far away from the dollar mark that other figures could be inserted. The same rule applies when writing out in words the amount of money to be paid. Start close to the left hand margin, and if any vacant space remains between the words giving the amount and the printed word "Dollars," fill it in with a wavy line. It is important that you write your name naturally, and in the same manner which you wrote it on the signature card. If you wish to obtain money from your bank, make a check payable to "Bearer" or to "Cash" and the bank will pay it upon presentation. You can also obtain cash by making a check payable to yourself and then indorsing it by writing your name on the back of the check. The holder of a check may present it to the bank on which it is drawn, requesting the bank to certify upon its face that the drawer's account is "good" for the amount of the check, in order to make it more easily negotiated. This the bank may do by writing or stamping "certified," "good when properly indorsed," or other equivalent words on its face. When a bank certifies a check it assumes responsibility for payment.

Indorsement of Checks

Checks are usually made "payable to the order of" a certain payee and must be indorsed by such payee before they are cashed or further negotiated. This can be done, in the simplest form, by the payee merely writing his name across the back of the check. This is called a "blank indorsement," and any subsequent holder, to whom it has



Foreign Born Instructed in Banking in New York City's Evening Schools

been transferred by mere delivery, can cash it. The proper place for the indorsement is parallel to the narrow edge of the check, at the end which is held in the left hand as the indorser reads the face of the check, and the indorsement should be started at least one inch from the top. There are two other forms of indorsement known as "full indorsement" and "restrictive indorsement." If you wish to have a record that it passes through the hands of a specific person, you can use the "full indorsement," which is usually in the form "Pay to the order of John Jones," followed by your own name as payee named on the face of the check. If you wish the check to go only through the hands of John Jones before it is cashed by the bank, you may use the "restricted form," writing, "Pay to John Jones only," after which you sign your name. The bank will not pay a check unless it is properly indorsed.

The foregoing statements pertain mainly to deposits subject to check, which are known as "demand deposits." Most banks also receive deposits payable at some specified future date or subject to notice of intended withdrawal. Time deposits may be either in the form of certificates or of pass books

containing some special contract. A time certificate of deposit is a written instrument issued by a bank stating that the depositor has a certain amount to his credit payable at a fixed future time, and usually provides for the payment of interest at a liberal rate. Other time deposits are received in accordance with a contract printed in a special form of pass book used to record deposits and withdrawals. One of the provisions is that such pass book must be presented to the bank in making withdrawals as well as in making deposits. Banks pay little or no interest on demand deposits for the reason that money deposited subject to check on demand must be so used by the bank as to be im-

mediately available and cannot be tied up in profitable long-time loans and investments. Moreover, every bank is obliged to maintain a reserve to meet demand deposits, which reserve brings practically no revenue to the bank. In other words, a bank receives a minimum of revenue from demand deposits and consequently can pay only a minimum of interest to demand depositors. On the other hand, time deposits in any bank may be safely invested in loans and bonds of distant maturity upon which a liberal rate of interest is obtainable by the bank. Furthermore, only a small percentage of reserve is required for the protection of time deposits.

Senate Committee Adopts Revenue Amendment

The efforts of the Secretaries' committee, consisting of Andrew Smith, W. F. Keyser and M. A. Graettinger, and assisted by Theodore S. Cady of Kansas City as associate member, Thomas B. Paton, General Counsel of the American Bankers Association, and E. E. Mountjoy, Deputy Manager of the National Bank Division, were successful in causing the Senate Finance Committee to write into the Revenue Bill a provision allowing

banks to deduct from gross income bank stock taxes which they pay to the states where they are located. The bill reported by the Finance Committee to the Senate includes this amendment and the task now will be to keep it there. Secretaries are requested to see that their members write to their senators and representatives regarding this provision and ask for its adoption by Congress.

Why the Personal Loan?

By ROBERT B. UMBERGER

Vice-President and Manager, Chicago Morris Plan Bank

LOANING money to the average man—salaried worker, wage earner, professional or business man of moderate circumstances—may not be the fifth wheel in credit structure, but it represents a sort of lubrication to at least some of the wheels of business. For any policy, public or private, is dependent to a very certain extent upon the efficiency of the worker in doing his individual task and productivity is in a striking degree accelerated or inhibited as the individual has its own personal affairs in a state of order.

Industrial banks and loaning agencies of various types exist to consider the needs and to grant credit accommodation to that wide range of people whose contact and business with commercial banks does not place them within the ordinary and proper loaning scope of such banks. These institutions have a broader appeal than the many employers' and employees' associations whose purpose for existence is the meeting of the exigencies of particular groups, and the business of such banks and agencies is conducted upon a more universal banking practice than the countless loans made by relatives and personal friends, often representing withdrawal from savings accounts or borrowing from commercial banks by those who fortunately enjoy banking connections.

The principles upon which the representative industrial banks and loaning agencies make personal loans are quite as comprehensive as the policies underlying credit extension by commercial banks:

1. Understanding of the occasional stress which confronts people of integrity and good intentions.

Sickness or death comes to the wage earner's home; hospital or undertaker's bills result, with doctor's fees in either case; interest on the mortgage and taxes happen along at the same time. It is the rainy day for which regular deposits have been made in the savings bank, but it came too soon. It is then a case of creditors waiting, of the mortgage being foreclosed, or of borrowing several hundred dollars somewhere in order to save disaster or ruin. It is not

the "ne'er do well" only who becomes involved; the saying that it never rains but it pours may apply to debts piled up even on the thrifty—through circumstances totally beyond their control. General business conditions—inventories charged off, taxation, slack or no work and the corresponding reduction of income—these things affect the policeman, insurance clerk, clergyman and storekeeper in different and unexpected ways.

2. Belief that wise borrowing is an encouragement to thrift and industry.

The manufacturer goes to the banker or broker to arrange for an issue of notes or bonds so that he may enlarge his plant or buy so much of this (raw material) to make twice as much of that (finished product) which when sold will enable the firm to continue dividends to stockholders. This is called business; it is also a type of progress. The salaried American is no more speculatively ambitious when he puts in all he has and with the aid of borrowed money starts a barber shop or restaurant or merely asks for cash to take a bargain in furniture to enable him to move out of furnished rooms. Even the consolidation of many debts into one obligation relieves the school teacher from harassing worry and enables her to apply her best talents to the training of her wards. Is there a successful business man who would dispute the current philosophy of Solomon's time that "a good name is rather to be chosen than great riches," except to add that his riches were almost directly due to the faith some banker had in accepting his name on pieces of paper, promising to pay lest he be gotten by the "fine print goblin"? America does not discriminate between the high or the low in its spelling of opportunity, and success, starting in training and ability, is often only realized in wise use of money saved and borrowed.

3. Conviction that careless use of credit serves to aid extravagance and disaster.

At least 40 per cent. of the loans of established industrial banks or loaning agencies are re-loans. Credits originally granted were met promptly and regularly and the ease with which obligations were paid often leads people to go in debt again. Some people loathe being in debt, others do not know the feeling of a clean slate and unfortunately many need a guardian for their financial affairs. A fur coat may be a mere comfort to the railroad president's wife who goes shopping in her limousine, but it is extravagant folly of the mill hand's wife who does her own washing. Periods of indulgence and extravagance

bring the more fantastic requests for loans—there is an apparently automatic decrease of such reasons in times of depression. Trust funds—fixed capital or deposit liabilities—are assets of someone and their proper and most lasting value will be determined by the constructive purpose for which they are loaned.

4. Appreciation that the terms and conditions of loans must be designed to fit the situation of the borrower.

It is obviously impracticable if not impossible to expect a man earning \$150 per month to pay a loan of \$300 in ninety days or on demand. He receives his income by the week or on a bi-monthly or monthly basis, and he has his ordinary living expenses to meet. Therefore, the debt, huge in fact to him, must be amortized—or in terms of the borrower, paid on the installment plan. Millions of dollars' worth of merchandise—lots, homes and automobiles are sold "on time" and personal loaning would be impossible and unsafe if deferred payments were denied. Some concerns make loans secured by pawns, chattels and personal property; with reasonable margins as the rule, but the equities represent personal ownership and sentimental value. It is said that 18,000,000 people once owned Liberty bonds, though about 14,000,000 have sold out to the remaining 4,000,000. Liberty bonds are the prime security which many workers still use as collateral in lieu of selling. The acceptance of the indorsement of fellow-workers, business men, friends, brings credit facilities to almost everyone of good character (the hermit and recluse excepted) and this form of security has demonstrated its soundness in this country as it has by proven experience in Europe over many years.

It is patent that the rate of discount or interest which is charged on personal loans must be in excess of the prime rate for commercial paper or mortgages—for there is no universal Dun or Bradstreet's and the appraisal of used personal effects or the investigation of the character, general reputation and income of makers or indorsers is costly—in addition to the carrying expense of installment machinery and record keeping. Maximum money rates are set by law and while concessions are made to enable industrial banks and loaning agencies to exist, there is still a wide range of costs existing in that business. Rates vary from 6 per cent. per annum discount to 3½ per cent. per month interest, and within the spread of rate, there will be found the corresponding quality of risks. These charges are governed by the objective of those engaged in loaning:

(a) Groups of public-spirited citizens who have a broad vision of human welfare and who desire to provide facili-

ties to enable people to progress. The business is conducted as a public utility with a view of retaining such profit as will insure a stable and continuous service with the expectation of only a moderate dividend return on capital invested.

(b) Licensed lenders operating under special loan legislation, seeking a greater profit, but in so doing accepting many hazardous risks, which could not be carried at a lower rate.

(c) Individuals or companies sanctioned under the law but who by subterfuge clearly aim to enrich themselves on the misfortunes or weakness of their clients.

Fortunately extortion and usury are less common than formerly, chiefly due to the greater interest in the subject by bankers, business men and jurists, and to the vigilance and insistence of the representative industrial banking groups and associations of licensed lenders upon the scrupulous conduct of companies which might otherwise fall into historic and infamous loan-shark practices.

Where personal loans are made (as low as \$10 and as high as \$1,000 or more), with terms wisely de-

signed to impose the least hardship upon the borrower, several hundred million dollars is loaned annually with a loss ratio as low as one-tenth of 1 per cent. and rarely exceeding 1 per cent. where greater chances are taken.

It may still be argued by some bankers and business men that individuals should under no circumstances borrow money and that if distressing circumstances come they must suffer on account of improvidence. Yet, many of these splendid citizens will contribute generously to charitable organizations. An eminent physician has stated that "it is impossible to compute the money value of saving a life," which might be paraphrased that it is impossible to compute the man-power-money value of saving self-respect. Granting that as logical, why should individuals borrow for extensions or advancement? So long as American business will capitalize its future powers and possibilities for present development, so long as the state will anticipate the right of

taxation by issuance of long-term credit instruments for even military expediency, just so long will Messrs. Average Men who compose the state and who help produce and consume the products of industry follow the leader in their human way and within certain bounds enjoy, if they can, present comforts at the expense of future ability and hopes of increased earnings.

The proper management and maintenance of industrial banks and loaning agencies should be regarded as a salutary supplement to banking machinery and commercial enterprise. Doctors possess buying power when bills are paid; hatred does not generally course through the veins of property owners; extravagance may be halted if its deleterious effects are properly explained; the pride of the most humble servant is surely stimulated when he meets his own "promise to pay" though poorly written and his confidence is increased in investment securities handsomely lithographed with coupons attached.

Good Material Going to Waste

By JAMES E. CLARK

GREAT as is the progress which has been made in bank advertising in recent years, bank advertising is nevertheless still in a sphere exceedingly small compared with range of a banker's activities. Too many banks content themselves with confining their advertising to a very small part of the whole story of banking. Every bank has a wealth of human interest material out of which there may be constructed advertisements of commanding interest.

If, to illustrate, the whole of a community were actually educated as to the functioning of a bank more persons would have a keener interest in it, some of them would even take a civic pride in doing whatever is within their power to add to the banking strength of their town. Sometimes the man who is wont to finance visions afar and to later borrow from his local bank

to tide him over the lean months caused by his indiscretion might, if he knew more of the functioning of banks, pause before putting his money into the mail.

The advertisement or booklet which introduces the personality and tells how that personality and the bank are mutually helped by a given transaction is pretty sure to get worth-while attention from the reading public.

Banks, large and small, have plenty of human interest material. Dickens, the novelist, wrote what some consider his greatest book around a human interest bank story. In the "Tale of Two Cities" he vividly tells how Tellson's Bank of London brought back to England the old prisoner of the Bastille.

We need not discuss the suitability of this particular bank service as raw material for bank advertising for the reason that it is fictitious. Reference is made merely

as a familiar illustration of the expression of "human interest." But a rural banker in a public address recently told an incident of banking business, which while small in money was large in interest, and the act to which he referred was great in its beneficent results.

An Arkansas farmer, one of the class living in a little four-room cabin with a mud chimney on one side, went to a banker for a loan of \$200, with which to put under cultivation an additional fifteen acres of land.

The banker told the applicant he would grant the loan if the applicant would accept \$400, and would use the extra \$200 to build a better chimney, paper the cabin inside, paint it white outside and put a picket fence around it. "Go home and talk it over with your wife," said the banker to the astonished farmer.

The next morning the farmer

telephoned to the banker saying, that his wife had wanted for years to get the suggested improvements to their little home, and so the loan was made.

According to the banker the results were astonishing. The farmer and his family became possessed with a new ambition and forged ahead. The farmer emerged from the hand-to-mouth class. One son worked his way through an agricultural college, another son will also go, and some of the children have savings accounts. The banker attributes it all to white paint, and advises his fellow bankers to urge the liberal use of white paint in the country, presumably on the theory that the tidy looking home awakens pride and ambition. Surely many small farm homes are dismal enough inside and out to stunt the mental faculties and bring on a species of settled melancholy.

Here is material for a human interest advertisement on banking, not applicable to every community or to every bank, but surely it would be enlightening to many persons and would no doubt quicken a life, improve a family here and there and add to the productivity of the land. So much for its direct application.

The indirect effect of such a story is to destroy the notion, still held by millions of persons, that the bank is interested alone in keeping its money safe and in getting its profits. This incident might be employed to show that the banker wants to improve the condition of the people of his community, shows that he believes in them and that he has more faith in them than they sometimes may have in themselves. It shows, too, that he has an easy rational knack of helping business in his neighborhood. That kind of advertising would be understood by everybody from the weary woman in the farm kitchen to the financier of large affairs, for the latter would recognize in this banker and in his rural bank a nation-building unit.

Another human interest story may be built on character. A young man goes to a bank seeking a loan. The security he offers falls a little

short of the bank's requirements in such cases, and the situation looks dubious to the applicant until the banker says, "But I am allowed to put in something for character, and in your case that will be sufficient to enable me to make the loan. I know that you always work and always save." Many people have yet to learn that character is the basis of credit.

In another instance the attorney of a savings bank revealed that his institution was taking care of a fund larger than the statutory limit, and was doing this for the reason that the owner of the money, a woman, was totally blind. Here was a case, in the opinion of the attorney, which particularly came within the province of a bank of this character to exert itself to the utmost to care for the property of a person physically disabled.

The memory of every banker is rich in material on which human interest bank advertising can be fashioned, and if used in a carefully worked out and persistent campaign should produce three positive results:

1. Show the whole community (instead of merely an appreciative few), that the bank in its ordinary functioning is a community builder and a character builder.
2. Bring in new accounts and new business.
3. Quicken the interest of the community in the bank.

But someone says if we do that kind of advertising we will be overwhelmed with all kinds of people asking us to do all kinds of things which we cannot do. If we put our confidential things into advertisements people will get afraid of us and keep away, all of which might be true if such advertising be not done carefully. But the objections are not insurmountable. It is the business of the moulder of advertising to so shape his statements out of such materials as are furnished him, or which he can elicit from the banker, that these apparent objections shall not be raised by the public, and to couch the advertising in

such terms that it shall invite to the bank only the class of business that is wanted.

Banking is really losing business in trying to dig out all the raw material in its district with inadequate tools of advertising. And in justice to the place which it occupies in keeping the work of the world going forward, in building up and safeguarding the homes and industries in its neighborhood, more of the functioning of the bank should be instilled into the public mind through advertising on a more familiar plane.

A side light on the value of the human interest story may be obtained by recalling that many a community has residents who have established reputations as public-spirited men by the performance of small acts, which, if rendered by a banker, are classified in the latter's mind as incidents in the routine of his business.

The human interest story of banking need not be selected from the experience of the local bank. The selection should, however, be made of incidents and functions which, leaning toward the confidential, can apply with equal force to thousands of banks. The story of the banker who believes in the magic of white paint in Arkansas is as good for use in Ohio as it is in Arkansas, because it may awaken in the minds of the men of Ohio that the bank stands ready to help them—if they are worthy; if they will establish their worth by frugality and saving—into a position to be better customers as well as more prosperous citizens. Through it they may realize the fact that the bank would rather have them be a No. 1 father and citizen than one of a far lesser degree.

With the great rich fund of material from which to draw, all human interest bank advertising is likely to deeply impress the public if told in a persistent well-planned campaign. Such advertising should be able to bring in accounts and business from a class to whom the conventional advertisement makes but a perfunctory appeal.

Protection of Innocent Purchasers

THOMAS B. PATON
General Counsel

Correction Needed in Laws Governing Checks Given For Gambling Losses So That Holders in Due Course May Not Suffer

UNDER the Penal Law of New York all contracts, the consideration of which is money won by playing at any game, are "utterly void." (Section 993.) A number of other states have similar statutes. A decision has recently been rendered by the New York Supreme Court, Appellate Term, First Department (*Larschen v. Lantzes*, 189 N. Y. Supp. 137), that this statute makes a check given to pay a gambling debt void and there can be no recovery on such a check even by a holder in due course. The court follows a recent decision of the New York Court of Appeals (*Sabine v. Paine*, 223 N. Y. 401), that a statute declaring usurious instruments void, is not repealed expressly or by implication by the Negotiable Instruments Act, so that a note void in its inception for usury, is void in the hands of an innocent holder for value. Following this, the conclusion is inevitable that an instrument, made void because given for money won at gambling, gains no vitality by its negotiation to an innocent purchaser but remains void and unenforceable in his hands.

The question whether instruments which are made void by statute because based on usurious or gambling considerations, can be enforced by an innocent purchaser in view of the provision of the Negotiable Instruments Act that a holder in due course may enforce the instrument free from the defect of "illegal consideration" is one upon which there is a conflict of decision in the different states. In New York, it is seen, the innocent purchaser has no protection.

Without questioning the soundness of the decision as an interpretation of the existing statute, the statutory law should be changed to afford protection to innocent purchasers in such cases.

It has been judicially stated that statutes which make void instruments given for a gaming consideration (and in a few states also for an usurious consideration) are based on a sound public policy. The Court of Appeals of Kentucky (in *Alexander v. Hazelrigg*, 123 Ky. 677) has said: "It has been the policy of this state to suppress gambling, and the statutes making gaming contracts void were founded upon what the legislature has for many years deemed to be sound public policy. It is not conceivable that the general assembly, in the

Legislative Correction Needed

"The situation is one which obviously should be corrected by legislative enactment in those states where statutes declare instruments given for a gaming consideration to be void and in the lesser number of states where instruments based on an usurious consideration are declared void and where the courts hold that the innocent purchaser is not protected."

passage of the act of 1904 for the protection of innocent holders of negotiable instruments, intended to or did repeal Section 1955, Ky. St. 1903, which declares all gaming contracts void. In our opinion, the disappointment now and then of an innocent holder of a negotiable instrument would not be as hurtful and injurious to the best interests of the state as the removal of the ban from gaming contracts."

So far as gambling is suppressed by making contracts growing out of it void and unenforceable, the policy is undoubtedly sound and statutes so providing are doubtless based on the theory that when the loser (instead of paying money or delivering tangible property), gives the winner a note, check, mortgage or other contract for the payment of

money or delivery of property, the making of these instruments null and void in the hands of the winner thereby deprives him of the ability to enforce them and thus destroys his incentive to engage in gambling to this extent. So far, so good. But a distinction should be drawn between negotiable instruments and non-negotiable contracts. As to the latter, the policy is sound; as to the former, it is not, because instead of discouraging it really encourages gambling. A gambler is not deterred by the fact that a check which he may receive for his winnings is declared void by statute, because he knows he will have abundant opportunity to negotiate the instrument, even though the innocent purchaser is unable to collect it where payment has been stopped. Not only is he not deterred but he is actually encouraged to enter the game for, by aid of the statute, he has a chance of winning without taking any risk if he loses; that is to say, even though he loses he can, by giving his void check and then stopping payment, play the game without risk at the expense of the innocent purchaser to whom the winner negotiates the instrument. Obviously, as between the innocent purchaser and the drawer of a check given for a gambling loss, the former is entitled to protection and there is no sound policy in avoiding the instrument at his expense for the benefit of the gambler. Checks and other negotiable instruments which are substitutes for money should have the same validity as money in the hands of innocent purchasers for value and the maker who gives his check, should be compelled to make the same good and lose the amount, equally as if he gave actual money to the winner. There is a clear distinction between negotiable instruments and non-negotiable contracts, as to which the transferee takes no greater rights than the transferor and knows that, when

he acquires same, he simply stands in the shoes, and that such instruments are subject to the same defenses as in the hands, of the transferor; as to these, the policy of avoiding same where the consideration is money won at gaming, is sound.

The gambler who gives his check for money lost and then seeks to avoid payment, will generally immediately stop payment before there is opportunity for presentment of the check at the bank, thereby placing the loss on the innocent purchaser whenever the check has been negotiated, but there may be cases where the payee of the check will beat the drawer to the bank and that the check will be paid. In such event, in addition to the risk which banks take as purchasers of such checks, the question might be a serious one for payor banks, if such instances were at all frequent, whether having paid the void instrument, the drawer's account would be chargeable. It would seem in such a case that the drawer should be estopped from denying the validity of his order; at the same time, as the drawer is not estopped from denying the validity of the instrument as against an innocent purchaser, it might be contended that the same reasoning applied to the bank which paid the check. In

both cases, the check is fair on its face, but is subject to a hidden vice of which neither the purchaser nor the payor bank has knowledge.

The situation is one which obviously should be corrected by legislative enactment in those states where statutes declare instruments given for a gaming consideration to be void and in the lesser number of states where instruments based on an usurious consideration are declared void and where the courts hold that the innocent purchaser is not protected. So far as usury is concerned, in most states, the usury penalty is less severe than an entire avoidance of the instrument. The needed protection would be afforded by a simple amendment of the Negotiable Instruments Act to the effect that where a negotiable instrument is declared void by any statute because based on a gaming or usurious consideration or otherwise in violation of statute, it shall nevertheless in the hands of a holder in due course be enforceable against all parties liable thereon. Or, as an alternative, the specific statutes of different states which avoid instruments for usury or gaming might be separately amended by the insertion of provisions excepting from their application, negotiable instruments in the hands of holders in due course.

Illinois Wool Pool

THE Illinois Bankers Association has recommended that its member banks "cooperate in the advancement of funds to the Illinois wool growers" in the encouragement of this industry. That the banks may be properly protected in making advances on shipments there has been prepared a form of shippers receipt which is assignable and can be taken by the banks as collateral security. Heretofore the farmers of Illinois have sold their wool to buyers who, lacking adequate knowledge of classes, grades and shrinkage, have paid about one price for all grades. These buyers in turn sell to larger dealers and the second buyer may pass his purchases on to a third. The Illinois Agricultural Association has made an arrangement with the National Wool Warehouse and Storage Company of Chicago by virtue of which the latter will receive the wool and issue receipts.

A representative of the Agricultural Association will acknowledge the receipt of the wool as soon as each pool is graded and he will report results of the grading to the county from which the wool originated. The collection, grading and sale of wool thus pooled takes time. Under present conditions a year or more may be required before an advantageous sale may be made. With the cooperation of local banks the growers now will not have to wait until the sale of their product actually is made before getting their money, and incidentally all growers will receive, it is expected, better prices than have prevailed heretofore. Wool pools have been formed in eleven or more states east of the Rocky Mountains and in several of the inter-mountain states. Canada has a general cooperative organization, which last year handled 45 per cent. of the entire clip.

Bank Conducts Aster Show

The First National Bank of Waynesboro, Pa., recently held in its banking house an aster show and awarded five prizes, the largest of which was \$5 and the smallest \$1. There were about 125 entries. Five thousand persons visited the bank on the day of the show, which was held on a Saturday, and at the conclusion of the exhibit the flowers were distributed among the churches and hospitals of the city.

The Security Trust and Savings Bank and the Guaranty Trust and Savings Bank, of Los Angeles, and the Long Beach Trust and Savings Bank, of Long Beach, Calif., have been merged. The combined resources of the merged institutions will aggregate \$148,000,000; the combined deposits, \$138,000,000, and the capital and surplus \$11,500,000. Security Trust and Savings Bank will be the name of the merged institution. Joseph F. Sartori, for thirty years president of the Security Bank, will be president and active manager. Maurice S. Hellman, vice-president of the Security, will be vice-president and chairman of the board. Dr. M. N. Avery, President of the Guaranty Bank, will be vice-president of the Security and chairman of the executive committee. The present main bank of the Guaranty, at Spring and Seventh streets, will be called the Guaranty office, and will be in charge of Vice-President Avery. P. E. Hatch, vice-president of the Long Beach Bank, will be vice-president of the Security and manager of the Long Beach branch. The personnel and policies of all the banks and branches will not be disturbed, the various officers taking corresponding rank in the Security Bank. The principal offices will be at the present main Security Bank, Fifth and Spring streets. The Security Bank, with resources of more than \$96,000,000, has been for many years the largest banking institution in the Southwest. The Guaranty Bank, similarly complete in its services, shows more than \$42,000,000 resources. The Long Beach Trust and Savings is the oldest and largest bank in Long Beach, with nearly \$10,000,000 of resources, having recently absorbed the National Bank of Long Beach. Each of the banks has several branches, so the new institution, with eleven branches, will cover Los Angeles, Hollywood, Pasadena, Long Beach and Huntington Beach. With the exception of the last named branch, the new bank will be entirely within Los Angeles County, and on that account claims rank as the largest financial institution serving one locality west of Chicago.



OPINIONS OF THE GENERAL COUNSEL



THOMAS B. PATON
General Counsel

Indorsement Under Duress

Where the payee of a draft was forced, under threats, to indorse the draft, payment of which was subsequently stopped, the right of any subsequent holder to enforce payment from the parties liable would depend upon whether such holder acquired title without notice that the indorsement was obtained by duress, so as to occupy the status of a holder in due course.

From Iowa—On August 2 Mr. T, of California, purchased a draft for \$700 from the P bank, drawn on the Z National Bank of Chicago. Mr. T, who is an old resident of this (Iowa) town, was en route to visit his son. When he changed depots in Omaha, he was in some way induced to enter what he believed to be a store and was grabbed by four or five men, forced into a back room, where he was relieved of his cash, amounting to about \$100 and the above described draft. They returned to him his railroad ticket and \$10 cash. Mr. T was advised that if he reported the circumstances to the police he would be shot. Mr. T is a very old man, and after returning to the Rock Island depot, he reported the instance to a policeman. This was somewhere between the hours of 1 and 3 p. m. Saturday, August 6. He also sent a telegram to the P bank, advising them of the affair. Upon his arrival in Iowa and as soon as we were advised of the circumstances we wired the Z bank to stop payment on the draft, and another telegram was sent by Mr. T's son to the bank at P. We are advised by the Z bank that the draft was presented for payment and that they wired the P bank for instructions. The P bank instructed them to pay the draft provided it was indorsed by Mr. T and the indorsement was guaranteed. They wired the Nebraska bank from whom they received the draft, giving them the facts in connection with the incident. They received a wire from the Nebraska bank, stating that they would not guarantee the indorsement, and they accordingly returned the item to that bank. Mr. T was forced by the robbers to indorse the draft. The P Bank finally consented to permanently stop payment on the draft if Mr. T would arrange to indemnify them in case of loss. This has been done temporarily and steps are now being taken to file with the P bank the indemnity bond. The point in question is, can any one holding the draft enforce payment on same? Am unable to state at this time who holds draft, but I am of the opinion that it is in the hands of robbers.

What is your opinion and advice in this connection?

This draft was indorsed by the payee under duress. A holder in due course could enforce payment but no other holder. Section 55 of the Negotiable Instruments Act provides:

"The title of a person who negotiates an instrument is defective within the meaning of this act when he obtains the instrument, or any signature thereto, by fraud, duress, or force and fear, or other unlawful means, or for an illegal consideration, or when he negotiates it in breach of faith, or under such circumstances as amount to a fraud."

It is further provided by Section 57:

"A holder in due course holds the instrument free from any defect of title of prior parties and free from defenses available to prior parties among themselves, and may enforce payment of the instrument for the full amount thereof against all parties liable thereon."

Concerning the burden of proof, Section 59 provides:

"Every holder is deemed *prima facie* to be a holder in due course; but when it is shown that the title of any person who has negotiated the instrument was defective, the burden is on the holder to prove that he or some person under whom he claims acquired the title as a holder in due course. But the last-mentioned rule does not apply in favor of a party who became bound on the instrument prior to the acquisition of such defective title."

In this case, an innocent purchaser for value of the draft would have enforceable rights as a holder in due course; but a holder with knowledge could not compel payment.

Presentment by Collecting Bank

A bank which received a draft for collection sent a notice by registered mail to the drawee and upon his failure to appear and make payment, protested the instrument. The draft was not presented to the drawee. The forwarding bank seeks to hold the collecting bank liable for negligence. Opinion: Collecting bank is under duty to

make due presentment which involves presentment of the instrument to the drawee and the bank in the present case having failed to make due presentment, would be liable for any resulting loss because of negligence. Protest where the instrument has not been duly presented is without avail.

From Arizona—We received from one of our correspondents on cash collection, a draft drawn by an individual upon another individual in our city. The instructions on the cash collection accompanying the draft were to protest same if unpaid. This collection was received by us June 11. We immediately sent notice to general delivery, advising the party that we were holding the draft for collection, and on receiving no response sent other notices, and on June 22 our correspondent forwarded us a tracer asking us again to protest this item if unpaid. Under date of June 23 we sent notice by registered mail advising the individual that we were holding the draft for collection and had instructions to protest same if unpaid. On June 24 we received the return-card receipt of the registered letter, and on failure of the party to appear at the bank, we immediately protested same and returned the item unpaid. This item originated with a correspondent of our correspondent, and they are now calling upon us to make payment on account of negligence on our part in handling same. We would appreciate your opinion in the matter for this as well as future items that may come to us.

It is the duty of a collecting bank when it receives and undertakes the collection of a draft to make due presentment of the same to the drawee and if payment is refused or cannot be obtained, to cause protest to be made. To constitute sufficient presentment, same must be made to the drawee and the mere sending of a notice by mail, registered or unregistered, that the bank holds the item and intends to protest it if not paid, does not constitute due presentment. The Negotiable Instruments Act expressly provides that "the instrument must be exhibited to the person from whom payment is demanded" and in one case it has been held, in view of this provision, that a demand over the telephone at the

place specified in the instrument is not sufficient. *Gilpin v. Savage*, 201 N. Y. 167.

It follows in the case stated that your bank was guilty of negligence in not making due presentment and would be liable for any resulting loss. The protest caused to be made by you when the drawee failed to appear at the bank in response to your registered letter was of no avail as the draft was not dishonored by non-payment, there being no due presentment.

Attachment Against National Bank as Garnishee

The funds of a depositor in a national bank may be attached by suit in a state court in which the bank is summoned as garnishee, such proceeding not coming within Section 5242 U. S. Rev. Stat. prohibiting the issuing by state courts of an attachment, injunction or execution against a national bank or its property before final judgment.

From Massachusetts—We are informed by an attorney that a local or state officer has no power to attach funds of a depositor in a national bank. He claims that such writ must issue from a United States court and be served by a United States officer. Will you give us your advice in the matter.

United States Revised Statutes, Section 5242 provides:

"No attachment, injunction, or execution shall be issued against such association or its property before final judgment in any suit, action or proceeding in any state, county, or municipal court."

But it has been held by the Supreme Court of the United States in *Earle v. Commonwealth of Pennsylvania*, 178 U. S. 449 that an attachment against a national bank as garnishee is not an attachment against the bank or its property nor a suit against it within the meaning of the United States Revised Statutes Section 5242. The court said:

"Whatever may be the scope of Section 5242, an attachment sued out against the bank as garnishee is not an attachment against the bank or its property, nor a suit against it, within the meaning of that section. It is an attachment to reach the property or interests held by the bank for others."

It follows that funds of a depositor in a national bank can be

attached by a creditor in a suit in a state court.

Chattel Mortgage of Cattle

A bank in Missouri held a chattel mortgage on cattle which it foreclosed after death of the mortgagor and applied the proceeds to the mortgagor's indebtedness. Thereafter the widow made claim for the \$400 statutory allowance from her husband's estate. Opinion that irrespective of whether the statutory right to allowance would take precedence over a mortgage of personal property, in the present case the widow lost her right by not pressing the claim in time, it having been held if she fails to apply therefor before the proceeds are used in payment of debts, the right is lost.

From Missouri—This bank held a chattel mortgage on cattle, hogs, horses and farm implements, for \$5,000.

The mortgagor died leaving no will and very little other property. The mortgage note fell due and we foreclosed and sold the property, taking a loss. The widow now comes in and demands that we pay her \$400 dower.

Will you kindly advise us if we are legally liable for this claim? The widow made no demand at or previous to the sale for the claim.

Your bank is not legally liable for the claim of \$400 made by the widow.

The Missouri statute allows the widow, in addition to dower, certain enumerated household furniture and articles, and necessary provisions, not to exceed the value of \$500. (Rev. St. Mo. 1909, Ch. 2, Art. 4, Sec. 114); and, "in addition to the above, the widow may take such personal property as she may choose, not to exceed the appraised value of four hundred dollars, for which she shall give a receipt." (Ibid. Sec. 116). Sec. 117 provides: "The widow shall apply for such property named in the preceding section before the same shall be distributed or sold, which shall be deducted from her dower in the personal estate, if there be any; but the property so delivered shall in no case be liable for the payment of the debts of the deceased."

In *Glenn v. Gunn*, 88 Mo. App. 442, it was held that the statutory provision (Sec. 105, R. S. 1899) for a year's support for the widow and children does not depend on

the husband's testacy or intestacy, solvency or insolvency. It is theirs absolutely. But, it was held in *Drawry v. Bauer*, 68 Mo. 155, that if the widow fails to apply for the \$400 until the proceeds of personal property are used in payment of debts, she loses her right under this section.

In the case submitted by you, irrespective of any question whether the statutory right of the widow to an allowance would take precedence over a mortgagee of the personal property of the husband, the widow has lost her right to the \$400 by not pressing her claim for same in due time.

Power of National Bank to Sell Railroad and Steamship Tickets

Congress has not expressly conferred upon national banks the power to sell railroad or steamship tickets and it would probably be held such transactions are not within the implied power of a national bank as an incident to its business.

From Connecticut—For some time past we have been considering the advisability of opening a Travel Department for the purpose of selling steamship, railroad tickets, etc., feeling that it would be a great accommodation to many of our depositors and a help to our foreign exchange and savings departments. In talking the matter over this morning the question arose as to whether or not we could legally under the National Bank Law operate such a department. Kindly give us your opinion on this matter.

National banks have no express power to sell steamship or railroad tickets and I think it would be held that it was not within the implied power of a national bank as incidental to the business. National banks are expressly empowered by Section 13 of the Federal reserve act (in cities of 5,000 or less inhabitants) to act as agent for insurance companies in selling insurance. In an opinion given by Counsel of the Federal Reserve Board in January, 1915, it was held that except as specified in this act, national banks have no express or implied power to write insurance. Equally, it would seem, there is no implied power to sell railroad or steamship tickets and the act, of course, does not expressly confer the power.

Loan Upon Receivers' Certificates and Notes

Where a national bank loans money upon receivers' certificates or receivers' notes duly authorized by court order, it should first require a certified copy of the order to ascertain that such obligations were duly authorized and that they are made preferred claims—but where a national bank has loaned a corporation the full legal limit permitted by law to one borrower, any loan upon or purchase of certificates or notes of the receiver would probably be held an excess loan for which the directors would be personally liable in case of loss.

From Pennsylvania—1. Kindly advise whether receivers of any company or corporation appointed by the court and having an order from the court to raise funds either by receivers' certificates or otherwise, must furnish a short certificate to the bank before the bank would be legally allowed to accept receivers' notes to raise funds before the receivers' certificates could be issued.

2. A national bank with a capital and surplus of \$150,000 loans a corporation \$15,000. This corporation applies for receivers which is granted by the court in due form with full authority to act. The receivers apply to the same bank for a loan of \$5,000 to pay wages. The loan was granted, after advice being handed by the bank's attorney, who is also attorney for the receivers, that the loan would not affect the \$15,000 or be counted as an excess loan. The note is drawn by the receivers in due form with the wages assigned to the bank as collateral. The examiner claims the loan granted the receivers for wages is counted in with the \$15,000 and, therefore, is an excessive loan. Please advise what your opinion is in this matter (is it under the circumstances an excessive loan?) and what liability, if any, is attached to the directors as individuals by reason of granting this loan (additional) under advice of the regular employed attorney.

3. Also please advise in case the bank should buy receivers' certificates of the company whether these would be counted in with the loan and make it excessive.

Before taking up your specific questions, the following review of the law governing the nature of receivers' certificates and the extent of security they afford a lending bank or a purchaser for value will be instructive.

Receivers' certificates are, generally speaking, merely evidence in the hands of the holder that he is entitled to receive from the fund under the control of the court the amount specified if the fund is suffi-

cient to pay in full all holders of such certificates, or if not sufficient, then a pro rata share with other such holders. *Turner v. Peoria, etc. R. Co.*, 95 Ill. 134; *Fidelity Ins. etc. Co. v. Shenandoah Iron Co.*, 42 Fed. 372.

The validity of the certificate depending wholly upon the order of the court, whose officer the receiver is, it is held that the terms of the order are to be strictly construed and followed. The certificate must be issued precisely as the order provides, and for the express purpose proposed. The force and intent of the order are not to be extended by implication. *Newbold v. Peoria & Springfield R. Co.*, 5 Bradw. Ill. 367; *Cort's Application*, 7 Pa. Dist. Ct. 536; *Tennessee v. Edgefield etc. R. Co.*, 6 Lea, Tenn. 353.

Without an order of the court authorizing it, a receiver cannot issue certificates which will be binding upon the trust estate.

Newbold v. Peoria etc. R. Co., 5 Ill. App. 367; *Wesson v. Chapman*, 77 Hun, N. Y. 144; *Pa. Engineering Works v. New Castle Stamping Co.*, Pa. 1918, 103 Atl. 215, (holding that the receiver was personally liable on the certificates and notes which he had given without authority. In this case the receiver was authorized to issue certificates to the amount of \$30,000; but he also issued additional certificates amounting to \$5,900, without authority).

Receivers' certificates are not commercial paper, good in the hands of bona fide holders irrespective of what vice or infirmity might attend their original issue. They are good for the amount of money actually paid for or loaned on them to the receiver, in accordance with the terms of the order of the court, but they have not the quality of negotiable instruments by the law merchant, and are subject to the same defenses in the hands of the holder, notwithstanding he may have in good faith paid full value therefor, as could be made against the original payee.

Union Trust Co. v. Ill. Midland R. Co., 117 U. S. 434; *Turner v. Peoria, etc., R. Co.*, 95 Ill. 134; *McCurdy v. Bowes*, 88 Ind. 583; *Montreal Bank v. Chicago, etc., R. Co.*, 48 Iowa 518; *Crosby v. Morri-*

son, etc., R. Co., Tenn. 1897, 42 S. W. 507.

The purchaser or holder of a receiver's certificate is put upon notice of the authority of the receiver to issue it and that by final action of the court the validity or security of the certificate may be prejudicially affected.

Turner v. Peoria, etc., R. Co., 95 Ill. 134 (holding that holders were charged with notice of the authority under which the certificates were issued, and for what purpose, and that the printed order on the back was notice that the certificate was made payable to bearer contrary to the order); *Mercantile Trust Co. v. Kanawha, etc., R. Co.*, 58 Fed. 6 (holding that the holder of a receiver's certificate is put upon inquiry as to all that has been done in the litigation in which the certificates were authorized, and is charged with notice of all subsequent proceedings therein).

The purchaser or holder is also charged with notice of the rank of the certificate as a preferred claim, according to the terms of the order authorizing the issue. *Lewis v. Linden Steel Co.*, 183 Pa. St. 248, 38 Atl. 606.

He takes the risk of the final action of the court in regard to the loans where the order is made without notice and an opportunity to interested persons to be heard. *Raht v. Attrill*, 106 N. Y. 423; *Union Trust Co. v. Illinois Midland R. Co.*, 117 U. S. 434.

Coming now to your specific inquiries:

1. The first question is whether a bank, before loaning money to a receiver upon his notes given prior to issue of receiver's certificates under a court order authorizing the receiver to raise funds by receiver's certificates or otherwise, must have a "short certificate" to legally entitle it to make such loan.

It would seem in the case stated that the bank should require a certified copy of the order of court as it would depend upon the nature and specific wording of the order of the court authorizing the receiver to issue receiver's certificates, as to whether it would be safe or proper for a bank to advance money upon notes issued by such receiver, pending the issuance of the receiver's certificates so authorized by the

court. The court might authorize a receiver to continue the business of the corporation, and to issue receiver's certificates to raise the capital necessary therefor; but if the court order failed to declare such certificates to be a preferred claim over all other debts due by the corporation, the holders of such certificates would have to share ratably with other creditors of the insolvent corporation, and thus the bank would fail to be secured for its advances. Pending the issue of receiver's certificates, the bank might safely loan money upon receiver's notes provided they were authorized by the court order and made a preferred claim upon the assets.

2. Your second question is whether a national bank which has loaned a corporation the full 10 per cent. limit can make an additional loan to a receiver of the corporation to enable him to pay wages, the receiver having full authority from the court to borrow.

The National Bank Act (Rev. St. Sec. 5200) provides that "the total liabilities to any association of any person or of any company, corporation or firm for money borrowed, including in the liabilities of a company or firm the liabilities of the several members thereof, shall at no time exceed 10 per centum of the amount" of paid-in capital and surplus.

I know of no decision upon the technical point but I think a court would hold that the receiver of the corporation was so identified in interest that money loaned the receiver would be included in the liabilities of the corporation and that where the full limit had already been loaned the corporation any additional loan to the receiver would be an excess loan.

You further ask, in case a loan is excessive, what individual liability attaches to the directors. It has been held in Pennsylvania that where a loan is made in excess of the legal limit, every director who participates in or assents to the wrong is personally responsible for the damage directly consequent to the bank, the shareholders, or any one else. *Stephens v. Monongahela Nat. Bank*, 88 Pa. St. 157. But if the loan was perfectly good and no damage resulted, I do not think

that the directors could be held individually liable. In *City Nat. Bank v. Crow*, 27 Okla. 107, it was held that the issues of fact in an action to recover from directors for excessive loans are (1) whether the loans made were made at the time when the person to whom they were made was already indebted to the bank in a sum equal to one-tenth of the capital and surplus; (2) whether such loans were knowingly made or assented to by such directors; and (3) what portions of the moneys so loaned were lost. If there was a loss because of an excessive loan the directors would be

personally liable, I think, even though they made the loan under advice of their attorney that it was lawful and not excessive; but if there was no loss, there would be no liability.

3. You further ask whether if a national bank should buy receiver's certificates of a corporation, the amount paid therefor would be considered as money borrowed by the corporation, so as to be figured in the loan limit. I think it would be held that a purchase of the receiver's certificates would be in legal effect a loan to the corporation.

Illinois' Tax Relief

Chairman C. H. McNider of the Federal Legislative Committee of the American Bankers Association, has been requested by the Illinois Bankers Association to use every means at the command of the American Bankers Association to have the provision in the new Revenue Bill increasing the income tax rate on corporations to 15 per cent. apply only to those corporations with a net income of 10 per cent. or more, thereby retaining the present tax rate of 10 per cent. on the corporations with net income of less than 10 per cent.

Under the proposed 12½ per cent. corporation income tax, as compared with the tax levied under the 1918 law, corporations earning less than 10 per cent. on invested capital would be paying 25 per cent. more tax, and under the provision as adopted by the Senate committee to make the corporation income

tax 15 per cent. these corporations would be paying 50 per cent. more tax, while those corporations earning more than 10 per cent. would find their taxes decreased.

The object of the new revenue bill, as commonly understood, is to lighten the tax burdens, but from the above it will be noted that this will not be the case with corporations earning small incomes.

The Illinois Bankers Association believes that this increase will largely affect the small country bank and for that reason desires the American Bankers Association to act in this matter with a view to having a change made in the bill.

All officers of other associations who agree with the above are requested to wire Chairman McNider, president First National Bank, Mason City, Iowa.

The Risk of Miscalculations

"I know of no class of business men who are so much exposed to the risk of miscalculations as bankers. Their business is largely dealing in credits. The financial circumstances of no two men on earth are just alike.

"At this time it frequently takes a keen eye to distinguish between an asset and a liability and methods used in normal times in analyzing financial statements are now in some respects obsolete. Staple merchandise at actual cost was then readily accepted as a sound asset, but this cannot be safely done today.

"Recently I saw a financial statement in which appeared an item of 100 bales of cotton listed at a market value of \$4,000. A few days later it was sold for approximately \$2,000. This was shock number one in which half the item was swallowed up. Then came shock number two which was as follows, using approximate figures: It was found that the owner had bought the cotton sixteen months before and had borrowed \$15,000 at 8 per cent. to pay for it. The accrued interest bill was \$1,600 and the accumulated insurance and storage charges were \$500, or a total of \$2,100, carrying

charges, not disclosed by the statement, which exceeded the amount the cotton was sold for. A substantial commodity asset, at supposed market value, had thus become an actual liability."—W. R. Grim, President Texarkana National Bank.

Unfortunate Similarity of Names

Robert H. Bean, a former president of the American Institute of Banking, for fifteen years with the National Union Bank of Boston, later treasurer of the Casco Mercantile Trust Company of Portland, Maine, and for the last three years executive secretary of the American Acceptance Council of New York, has been put to much annoyance owing to newspaper accounts of the alleged misapplication of funds by one Robert L. Bean, cashier of a bank in Camden, Maine. The unfortunate similarity of names and the coincidence that both are identified with the banking business has caused much confusion among friends of Robert H. Bean, who is in no way related to or connected with the Robert L. Bean referred to in the newspaper despatches.



RECENT DECISIONS



THOMAS B. PATON, JR.
Assistant General Counsel

ALTERED AND RAISED PAPER—NECESSITY OF EXPLAINING ALTERATION— "EXECUTION"—CALIFORNIA

A check signed originally "Owen Apartment, by John Tarabino," with the words "Owen Apartment" crossed out, was used as the basis of an action against the estate of John Tarabino. He had an individual account in the bank and there was also an account on which checks were drawn in the following form: "Owen Apartments, by John Tarabino." He was the manager of this apartment house, which was owned by himself and his brother, the funds of which business were deposited in the latter account.

California Code of Civil Procedure, Sec. 1982, provides that

"The party producing a writing as genuine which has been altered, or appears to have been altered, after its execution, in a part material to the question in dispute, must account for the appearance or alteration." Otherwise, according to this section, the writing may not be used as evidence.

The court held that the word "execution" refers to the time the instrument is signed, rather than to the time it is delivered. That being so, this check appears to have been altered after its "execution."

It was also altered in "a part material to the question in dispute."

Since in the particular case the alteration was not explained, the check was not admissible in evidence. *King v. Tarabino*, 199 Pac. (Cal. App.) 890.

DRAWING CHECK ON NON-EXISTENT BANK CONSTITUTES CRIME OF FALSE PRETENCES—SOUTH DAKOTA

A person who draws a check on a bank known to be non-existent and obtains money thereon violates the "false pretenses" statute of South Dakota (Code 1919, Sec. 4249), which so far as material reads as follows:

"Every person who designedly, by color or aid of any false token or writing, * * * obtains from any person any money or property is punishable," etc. *State v. Taylor*, 183 N. W. (S. D.) 998.

CHECKS WITHOUT FUNDS—FAILURE TO PAY BECAUSE OF INVOLUNTARY BANKRUPTCY—GEORGIA

Oetgen was indicted under Sec. 553 of the Penal Code of Georgia of 1910, which provides that if a person buys any farm products "either for himself or for others, and give a draft, check, or order in payment of such products, and the payment of the draft, check, or order is refused by the drawee, by which the

THE term "execution" in a statute relating to altered and raised paper refers to the time of signing the instrument, rather than the time of delivery.

THE drawing of a check on a non-existent bank is criminal.

THE Georgia statute making it criminal to draw a check for farm products, which is dishonored, is inapplicable where the refusal of payment is due to the unexpected involuntary bankruptcy of the drawer.

A BANK transmitting money is liable for failure to use due care after notice that its telegraphed order has been misdelivered.

THE government only, not private parties, may avail itself of the prohibition against the purchase by a national bank of its own stock.

IT may be shown as a defense to a trade acceptance that it was given by the seller's agent to secure against the insolvency of the proposed purchaser, and that the conditional liability never attached.

THE Barkley patent, No. 1,202,646, for coupon books for use in connection with Christmas and other savings clubs is void. Even assuming that it evidences an improvement of the Landis system, it does not rise to the dignity of a patentable invention. *Bankers' Service Corp. v. Landis Christmas Savings Club Co.*, 273 Fed. (Cir. Ct. App.) 722, affirming 272 Fed. 717.

THE Pennsylvania statute authorizing a drawee bank to recover a payment made on a forged check is inapplicable when the bank is negligent.

seller sustains loss, such buyer shall be guilty of a misdemeanor."

The court held that this provision did not apply where "the sole reason for refusal of payment of a check given for payment of the products mentioned was that after the giving of the check and prior to its presentation to the bank for payment, the drawer of the check was placed in involuntary bankruptcy, and his funds in the bank, which were sufficient to pay the check, were seized by a receiver."

The primary purpose of the statute was to protect against "fly by night" concerns; it was not intended to reach the case of an unexpected involuntary bankruptcy. *Oetgen v. State*, 107 S. E. (Ga. App.) 885.

TRANSMITTING MONEY—NEGLIGENCE— TEXAS

The First State Bank of Deport, Texas, at the request of the Deport Hardware Co., instructed the First National Bank of Paris, Texas, to send the following telegram:

"National City Bank, Chicago, Ill. On delivery sign bill of lading covering 10 new 1918 model Ford touring cars, complete, May and June motors, consigned to Deport Hardware Company. Pay W. R. Scott \$5,350."

On June 24, the Paris bank also sent the following letter: "Herewith find our draft No. 1178 for \$5,350 account—use W. R. Scott, in payment of collection as stated above." It was disputed whether it contained also the following words "Pay Scott \$5,350 as per our wire of June 24."

On June 26, the National City Bank wrote the Paris bank acknowledging the receipt of the letter, but making no reference to the telegram. It concluded:

"We have informed Mr. Scott that this draft has reached us and he will no doubt request that the money be turned over to him in the course of the next few days."

On the same day, the National Bank of the Republic, Chicago, wrote acknowledging the receipt of the telegram, and advising that it "will have our careful attention."

On July 5—nine days later—the National City Bank, not having received further instructions from the Paris Bank, paid the amount to Scott, without the delivery of any bill of lading. "The Deport Hardware Company never got the cars, bill of lading, any money, or thing of value," which caused it to sue the Paris bank for the amount of the draft.

Plaintiff was allowed recovery, notwithstanding the Paris bank stipulated with the Deport bank, that the trans-

mitting of the money would be at the risk of the latter. Such an agreement does not relieve defendant "from omissions negligently done by it. And no other ground of negligence than personal omission is pleaded against defendant."

Defendant was under the legal duty to use due care and diligence. The proximate cause of the loss was not the misdelivery of the telegram by the telegraph company, but the negligent failure of the Paris bank to notify the National City Bank of the restrictions on the payment of the draft in the ample time that the Paris bank had for this purpose. *Deport Hardware Co. v. First Nat. Bank of Paris*, 232 S. W. (Tex. Civ. App.) 902.

WHO MAY OBJECT TO PURCHASE BY NATIONAL BANK OF ITS OWN STOCK— NEBRASKA

Peterson and O'Flynn gave notes to the City National Bank of Omaha, in order that it might purchase its own stock, because its failing condition was becoming known and the stockholders were running to cover. Sale by them of their stock at greatly reduced prices would in the opinion of the officers insure its failure.

Neither the Comptroller of the Currency nor his examiners were informed that the notes did not represent bona fide transactions and were not assets of the bank. An agreement was entered into by some of the directors with the makers of these notes that they would share any liability that might in any contingency attach to the notes. The court held, however, that the principles of estoppel would not operate, since no rights of innocent purchasers for value had intervened.

Although U. S. Comp. St. Sec. 9762 prohibits a national bank from purchasing its own stock, private parties may not take advantage of this prohibition; "any infringement of the act in question by a national bank is a matter for the consideration of the Federal government."

The national bank could cancel the obligation on the two notes, especially when ratified by the majority of the stockholders, and the minority stockholders could not complain.—*Iowa State & Savings Bank v. City Nat. Bank*, 183 N. W. (Neb.) 982.

TRADE ACCEPTANCES—DEFENSE THAT ACCEPTANCE WAS GIVEN BY SELLER'S AGENT TO SECURE AGAINST PROPOSED PURCHASER'S INSOLVENCY—NEW YORK

The seller of goods took a trade acceptance from his selling agent, because he did not know the proposed purchaser. The defense of the agent thereon was that it was given simply to secure the seller against the insolvency of such purchaser. The court denied the contention that this could not be shown because it would vary the terms of a written contract. "It is true that the trade acceptance states that it was made upon the purchase of goods. The

statement of the consideration did not bind either party and can be contradicted, while the statement of the obligations of a contract cannot be altered by parol evidence. The evidence was competent to show that the trade acceptance was to become effective only in case the goods were sold to Obrow, and then stand as security for the purchase price. This is not a condition subsequent; it is a condition preceding the liability upon the trade acceptance. Under the authorities this fact may be shown." The rights of a holder in due course were apparently not involved. *Siegel v. Schwartzschild*, 189 N. Y. Supp. (App. Div.) 556.

"REASONABLE" damages may be recovered for the wrongful dishonor of a check but recovery for "embarrassment and humiliation" is improper, unless the circumstances warrant punitive damages.

A TREASURER of a church recovered \$750 for the wrongful dishonor of a check drawn by him in his fiduciary capacity.

THE drawer of a check owes no duty of diligence to person cashing it, to discover the system by which its checks are cashed on forged indorsements.

A BANK has legal title to Liberty bonds which are delivered to it for delivery to persons subscribing through it.

RECOVERY OF PAYMENT MADE BY DRAWEE ON FORGED CHECK—PENNSYLVANIA STATUTE—NO RECOVERY WHEN DRAWEE NEGLIGENT

Lieberman forged checks in the name of his employers, which were cashed by Herschman, indorsed by him and deposited for collection in a trust company, which deposited them with defendant bank. This latter bank collected them through the clearing house association. The drawee bank deducted on January 31, 1918, the amount of the checks then cashed by it in its settlement with the employers of Lieberman, without objection by them. Two forged checks were paid February 8, 1918, and two additional ones February 14, 1918. The next day the depositors were notified that their account was overdrawn, whereupon the forgeries were discovered. The drawee bank sued the collecting bank for reimbursement.

The court stated that "the opportunity to proceed against a forger is a valuable one, the deprivation of which by failure to give notice promptly conclusively determines that loss has resulted, for there is no way by which it can be satisfac-

torily determined there was no loss, unless it is shown there is on hand a fund belonging to the forger out of which defendant can reimburse himself in whole or in part." Here none of the parties concerned had any assets of Lieberman, although defendant had a balance due it from the trust company, in excess of the total of the checks.

The burden of proof was upon plaintiff to show that assets of the wrongdoer were available to make good the loss. This burden was never satisfied, and plaintiff is not entitled to recover, whether it acted as owner of the checks or merely as collection agent, "since it negligently failed to discover the forgeries until after the time when, with care and diligence, it should have done so, and all other parties have acted in good faith, and have no assets of the forger from which to recoup the loss."

However, as to the last two checks, the notice was sufficiently prompt. But, because of the payment of the earlier checks without objection, the forged signatures "had been at least tacitly recognized by the plaintiff as genuine." Hence, even as to these there can be no recovery.

Recovery was sought under the Pennsylvania statute (Act of April 5, 1849, Purdon's Dig. 13th ed., p. 3262, Sec. 31, St. of 1920, Sec. 16011), authorizing the recovery of payments made on forged signatures, including that of the drawer, even by the drawee. *Union Nat. Bank v. Farmers' & Mechanics' Nat. Bank*, 114 Atl. (Pa.) 506.

GENERAL RULE AS TO AMOUNT OF RECOVERY FOR WRONGFUL DISHONOR OF CHECKS STATED—EMBARRASSMENT AND HUMILIATION—MISSISSIPPI

A check was dishonored because of a bookkeeping error in crediting a deposit to the account of a person having a name similar to that of the depositor.

"There seems to be some conflict in the authorities, but the modern and better rule appears to be that, where a bank wrongfully dishonors the check it is liable for substantial damages to the injured depositor as compensation; and this is true, regardless of whether the depositor is a trader, business man, private citizen or professional man. When wrongful dishonor is shown substantial damages may be inferred, because of the peculiar nature of the wrong; and it is for a jury to assess reasonable compensation to the injured party, if he is substantially injured. Some authorities say that the damages in all of such cases are substantial, but should be 'temperate.' The assessment must be reasonable, according to the facts and circumstances of the particular case, with reference to the extent of the injury suffered by the depositor in his credit, standing and reputation. We think this is the correct view and we adopt it."

An instruction authorizing the jury to consider in assessing damages the depositor's "embarrassment and humiliation" was held improper, since the facts did not show such wilfulness or malice as

would warrant punitive damages. "Damages for mental pain and suffering, such as humiliation and embarrassment, disconnected from physical injury, cannot be recovered, unless allowed as a part of punitive damages." *Grenada Bank v. Lester*, 89 So. (Miss.) 2.

WRONGFUL DISHONOR OF CHECKS DRAWN IN FIDUCIARY CAPACITY—SOUTH CAROLINA

De Launay recovered \$750 from a bank for the wrongful dishonor of a check drawn by him as treasurer of a church.

The court on appeal in disposing of the contention of the bank that De Launay was not entitled to recover as his *personal credit* was not affected by the dishonor said: "A fiduciary is supposed to be more particular with the trust funds than with his own, and his laxity in reference to them is correspondingly a greater reflection, not only upon his credit, but upon his business methods and the scrupulous care which he should exercise."

With respect to wrongful dishonor of checks in general, "the theory upon which damages, substantial, but temperate in amount, are allowed is that the dishonor of the check presumptively results in injury to the credit of the depositor; it being a declaration against his solvency and correct business dealings." *De Launay v. Union Nat. Bank*, 107 S. E. (S. C.) 925.

DRAWER OF CHECK OWES NO DUTY OF DILIGENCE TO PERSON CASHING IT TO DISCOVER SYSTEM BY WHICH CHECKS DRAWN BY IT ARE CASHED ON FORGED INDORSEMENTS—NEW JERSEY

Seven checks drawn by Swift & Co., totaling \$13,000 were cashed by various persons on the forged indorsements of the payees between the months of March and June, 1920. Apparently in each case a customer of the cashing firm introduced a stranger who had a check to cash, and it was cashed to accommodate him.

These persons so defrauded sought to enjoin the drawee banks from repaying to Swift & Co. the amounts charged to it on paying the checks. "The claim of the bill is that Swift & Co. have allowed themselves to be defrauded in this way for many months running back to November, 1918, and that, if Swift & Co. had been ordinarily diligent in looking after their banks and their accounts the system would have been discovered before complainants were ever inducted into it and should defend against the forgeries on account of this negligence.

The further point is made in the bill that some of these checks were duplicates and should have been recognized as such at the time or promptly discovered."

The duty of a depositor to examine the returned vouchers and report any errors is a duty to the bank, not extending to others than the bank.

"These complainants did not even receive the checks in the ordinary course

of business. On the contrary, they went gratuitously out of their way to enable a stranger to get money, by themselves guaranteeing to their own bank by their own indorsement, that the check was good and that the prior indorsements were genuine."

The rule that a bank is not liable to its depositor for payment on a forged indorsement when the depositor is negligent has never been invoked in favor of another than the bank itself.

Others may not require the bank to set up this defense. *Sprague v. West Hudson County Trust Co.*, 114 Atl. (N. J. Err. and App.) 344.

LIBERTY BONDS—TITLE TO BONDS PURCHASED FROM BANK BUT NOT DELIVERED—EMBEZZLEMENT—MONTANA

Wallin was convicted of larceny of a Liberty Bond. The information against him charged that, while acting as cashier of the Rosebud State Bank and having in his possession as bailee Liberty Bond No. 673169, of the value of \$500, the property of Hugh Lynch, he feloniously appropriated it to his own use.

Lynch was one of a number of subscribers to an issue of Liberty Bonds made through the Rosebud State Bank, which in turn subscribed through the Minneapolis Federal Reserve Bank. The Rosebud bank paid the agreed price and received the bonds. After Lynch had paid

the installments on his \$500 bond the Rosebud bank pledged it and other securities with another bank to secure its indebtedness. Several months later the Liberty Bonds pledged were redeemed by the Rosebud bank and thereafter, upon demand, were delivered to the individual subscribers.

The court held:

1. That the bond was not the property of Lynch. The proof showed that the reserve bank delivered to the Rosebud bank two or more \$500 bonds of the particular issue. The record did not indicate any identification of bond No. 673169 as the property of Lynch until the delivery to him several months after the alleged offense was committed, and until such identification title could not pass. In any event, the Rosebud bank held the legal title to the bonds, notwithstanding such legal title was held in trust for the subscribers.

2. That Wallin did not have the bond in his possession as bailee; the bank had possession of it as holder of the legal title.

3. That Wallin did not convert the bond to his own use, although he may have been guilty of a breach of trust. The bond was pledged with the intent that it should be redeemed shortly, and was redelivered to the Rosebud bank before Lynch demanded it. Wallin was consequently not guilty of larceny. *State v. Wallin*, 199 Pac. (Mont.) 285.

Farm Mortgage Bankers

E. D. Chassell, secretary of the Farm Mortgage Bankers Association of America, in his report made at the association's eighth annual convention in Des Moines declared that many of the benefits expected from the Federal farm loan land banks and joint stock land banks have been delusive. The farmer, he said, had gained nothing from an attempt to override inexorable economic laws.

"After four and a half years the Federal land banks have made loans to about 130,000 farm owners, less than 3 per cent. of the 6,448,366 farm owners in the United States," said Mr. Chassell.

"When the Federal land banks began loaning money at 5 per cent. in 1917 it was predicted by their friends that the rate thus established would govern in all states and no allowance was made for supply or demand for money. The prevailing rate has subsequently been twice raised and it is now at the legal limit of 6 per cent., with a possibility that Congress may be compelled to grant a still higher rate. Instead of controlling and reducing the prevailing rate of interest where their loans are made, careful investigation shows that the average interest rate in all states has increased on farm loans in the last five years.

"The Federal farm loan banks are now loaning money at 6 per cent., obtained

from the sale of 5 per cent. bonds, allowing 1 per cent. as a margin for expenses and dividends. Their legal loan rate is 6 per cent. If any 5½ per cent. bonds, such as recently authorized to compete with other securities, are issued by the Federal land banks, expenses and dividends must in future be paid out of a margin of one-half of 1 per cent., instead of 1 per cent."

Mr. Chassell also stated that the overhead expenses of the land banks are too great, showing by government figures for June, 1921, that the yearly expense is approximately \$1,817,727.72, paid from interest paid by farmers, in addition to which is an appropriation of \$303,000 by Congress. This latter amount he compared with the administrative expenses of less than \$40,000 per year for the Farm Mortgage Bankers Association, and showed that administrative expenses of the farm land banks are about thirty-five times as great per unit of loan as those of his own organization, since the farm land banks had aggregate loans on July 31, 1921, of \$364,738,851.63, as against nearly two billions of live loans now carried by the 269 members of the Farm Mortgage Bankers Association, or less than one-fifth the amount of loans, with over seven times the amount of expense.



TRUST COMPANY DIVISION



State Vice-Presidents

The following officers were elected or re-elected as state vice-presidents for the Trust Company Division at the conventions of the State Bankers Associations held during the past year. They will serve the Division during the year 1921-22 and report at the 1922 convention:

Alabama—H. F. Cooper, president Peoples Bank & Trust Co., Selma.
Arizona—J. R. Todd, assistant general manager Gila Valley Bank & Trust Co., Globe.

Arkansas—Gilbert Yaeger, cashier Peoples Savings Bank & Trust Co., Helena.

California—L. H. Roseberry, vice-president Security Trust & Savings Bank, Los Angeles.

Colorado—D. T. Stone, president U. S. Bank & Trust Co., Grand Junction.

Connecticut—Nathan D. Prince, vice-president Hartford-Connecticut Trust Co., Hartford.

Delaware—Otho Nowland, president Equitable Trust Co., Wilmington.

District of Columbia—Howard Moran, vice-president American Security & Trust Co., Washington.

Florida—Dr. Louis A. Bize, president Citizens-American Bank & Trust Co., Tampa.

Georgia—Geo. B. Pendleton, secretary-treasurer Trust Co. of Georgia, Atlanta.

Idaho—A. V. Chamberlin, vice-president American Trust Co., Coeur d'Alene.

Illinois—Geo. W. Telling, president Commercial Trust & Savings Bank, Danville.

Indiana—E. H. Miller, president American Trust Co., South Bend.

Iowa—Carl Keck, vice-president Commercial Savings Bank, Washington.

Kansas—J. R. Burrow, Jr., treasurer, Central Trust Co., Topeka.

Kentucky—Geo. E. Bees, manager Trust Department, Bank of Hardinsburg & Trust Co., Hardinsburg.

Louisiana—C. G. Rives, Jr., vice-president Interstate Trust & Banking Co., New Orleans.

Maine—H. W. Cushman, president Merrill Trust Co., Bangor.

Maryland—E. Bradley Hayes, vice-president Baltimore Trust Co., Baltimore.

Massachusetts—Allan Forbes, president State Street Trust Co., Boston.

Michigan—R. D. Graham, president Grand Rapids Trust Co., Grand Rapids.

Minnesota—A. B. Whitney, trust officer Minneapolis Trust Co., Minneapolis.

Mississippi—R. P. Jones, secretary Peoples Savings Bank & Loan Co., Vicksburg.

Missouri—Lester W. Hall, vice-president Fidelity National Bank & Trust Co., Kansas City.

Montana—D. J. Charles, president Miners Savings Bank & Trust Co., Butte.

Nebraska—George W. Holmes, secretary First Trust Co., Lincoln.

Nevada—H. H. Kennedy, cashier Bank of Nevada Savings & Trust Co., Reno.

New Hampshire—Joseph L. Clough, treasurer Nashua Trust Co., Nashua.

New Jersey—Frederick Coriell, secretary Elizabeth Trust Co., Elizabeth.

New Mexico—J. W. Harris, Sr., president Peoples Bank & Trust Co., Las Vegas.

New York—Chas. H. Bissikummer, president Albany Trust Co., Albany.

North Carolina—F. H. Fries, president Wachovia Bank & Trust Co., Winston-Salem.

North Dakota—G. H. Hollister, president Northern Trust Co., Fargo.

Ohio—Wm. R. Craven, president The Dayton Savings & Trust Co., Dayton.

Oklahoma—H. L. Standeven, vice-president and trust officer Exchange Trust Co., Tulsa.

Oregon—Chas. W. DeGraff, secretary Portland Trust Co., Portland.

Pennsylvania—John G. Reading, president Susquehanna Trust & Safe Deposit Co., Williamsport.

Rhode Island—Henry C. Jackson, treasurer Slater Trust Co., Pawtucket.

South Carolina—W. A. Beaty, cashier Palmetto Bank & Trust Co., Florence.

South Dakota—D. H. Lightner, vice-president Citizens Trust & Savings Bank, Aberdeen.

Tennessee—A. B. Benedict, general manager Nashville Trust Co., Nashville.

Texas—Paul G. Villaret, cashier Central Trust Co., San Antonio.

Utah—J. Wm. Knight, president Knight Trust & Savings Bank, Provo.

Vermont—Harrie V. Hall, assistant treasurer Chittenden County Trust Co., Burlington.

Virginia—J. J. Scott, cashier Lynchburg Trust & Savings Bank, Bedford.

Washington—F. A. Rice, vice-president, Tacoma Savings Bank & Trust Co., Tacoma.

Wisconsin—E. B. Steensland, president Savings Loan & Trust Co., Madison.

Wyoming—S. B. Cochran, cashier and secretary Wyoming Loan & Trust Co., Buffalo.

National Publicity Campaign

Many letters have been received from subscribing trust companies commending the work of the Committee on Publicity and relating many reactions and substantial business already received as a result of the campaign. The few following extracts, however, show the general feeling as to the value of this campaign.

"We have had inquiries and have either mailed or given direct between four and five hundred copies of the booklet on 'Safeguarding Your Family's Future.' It seems difficult to attribute the success to any particular article we have sent out, as the demand has been uniform practically since we mailed our first letter in connection with this campaign."

"We are glad to say that we have no doubt that the campaign has stimulated our trust business, and we know of quite a number of definite appointments which we have received as a result of the campaign."

"Since your campaign started we have had numerous inquiries and requests for booklets through the newspaper advertising, and believe we can trace some new business to it."

"We have been too busy following up the nation-wide campaign in our local field to take the time before this to say how well pleased we are with the campaign this year. It is too early to be boasting of the actual results, although some new business is already traceable to the literature which has been put out."

"We believe the general publicity which the Division is handling is doing good and will ultimately get good results, and we are well satisfied with our investment in this campaign."

"All printed matter sent us has been used in local newspaper advertising and we have received about twenty-five requests for booklets, and we believe that the direct results have been worth more than the money spent. The indirect results cannot be counted or foretold at this time, but we do know that people are showing an interest in trust company business, particularly living trusts and estates, more than they have in the past, and we attribute it to the national and local advertising."

"I am glad to report that the national publicity campaign has been of direct assistance to us and that we feel it well worth while to go on with it."

"We are more and more impressed with the quality and character of these bulletins and advertising matter to be adapted to particular needs and are enthusiastic about their use in our own campaign."



SAVINGS BANK DIVISION



Federal Farm Loan Bonds

Another governmental agency is now seeking to divert the money product of community saving from the local mortgage investments which generally increase in a ratio which is similar to community prosperity.

It appears that the Federal Farm Loan Commissioner is circularizing the savings banks with a view to obtaining banker cooperation in the sale of the Federal farm loan bonds on the basis of a small commission, but, of course, without the possibility of giving the depositor the benefit of ordinary economic changes in market rates. The introductory part of the circular letter is as follows:

"The Federal land banks are anxious to make farm loan bonds a favorite medium for saving, in connection with the general thrift campaign which is now in progress throughout the country, and especially to introduce them to small investors. These bonds have stood every test and are now a favorite security with trained investors, and need only to be called to the attention of savings investors to meet their approval.

"It seems to the Farm Loan Board that the most efficient agency for rendering this service is the community banker, who if he can direct the savings of his clientele into this class of investments and away from the more hazardous and worthless investments to which they are often attracted, will be rendering a real service."

It will be noted that this official would endeavor to interest savings depositors in a tax exempt security regardless of whether or not the tax exemption is worth anything to him. This is another interesting display of political effort to interfere with the normal flow of private finance regardless of whether or not it is the best thing for the investor.

Replying to one of the above letters, W. A. Sadd of the Chattanooga Savings Bank, president of the Savings Bank Division of the American Bankers Association, wrote in part:

"As a general proposition the tax exempt bonds of the Federal land banks are used by the large capitalists of the country for the purpose of avoiding income taxes. As to whether this would appeal to a small investor who is not interested in tax exempt securities or the avoidance of his income tax is somewhat of a question.

"Another phase which you would have to consider is the localities. You take the localities in the South, particularly our own city. We are a new, growing city and we have not sufficient funds for our own needs to give us the amount of building money for homes and also for the growth of our factories and our store buildings. We are in one sense appealing to outsiders for the purpose of bringing in money to work out our own business efforts, and at the present time there is a very large amount of money coming in from the outside, from insurance companies and other investors in the older settled communities of the country which have reached their growth and have not the means to invest the same.

"Our rates necessarily in a new country are higher than they are in the older sections of the country and must continue so to be as long as we are a growing city. Our institution has been in the business of loaning money

on real estate for the purpose of building homes and promoting community growth, and outside of our own assets which we have been able to place in same have brought in many millions of dollars from the outside for that very purpose. This is not a second generation town, but is a first generation town, and we have not reached the period of investors.

"While we have a large amount of labor employed in our manufactures, it has been our purpose to teach them to build their own homes and to save their money for this purpose, and it has been our good privilege to help many hundreds who own their own homes in this city. We believe that supporting your own community growth is of the first consequence. The interesting of savers in farm loan bonds or other outside securities destroys the very effect of community thrift and renders it more or less of a governmental thrift project for carrying out governmental purposes, which are necessarily broad. You cannot appeal to these people with the same force as we did in Liberty Bonds; and by the way, the purchase of Liberty Bonds which were forced out on the community at a lower rate than the credit of the government warranted, has passed a very heavy loss on account of depreciation on to the hands of people who have invested in same, and while we have endeavored to explain away this question of depreciation it has left a very bad taste in many of the smaller investors who, by their loyalty and patriotism, used their funds for the protection of the country during the war. There is not that appeal for the protection of the country in the issuance of your securities. This is purely and simply a governmental project of financing which is supposed to be for the good of the farming community, giving the farming community special privileges which the residents of cities do not possess, or even the owners of other classes of property.

"Regarding the question of the ability to sell these securities here in this community, we very much doubt if there would be many demands for same. For many of our own clients and individuals we usually arrange to sell them local mortgages for the purpose of building homes, etc., which will net them 6 per cent, and a little better, and as these classes of individuals are not subject to income tax it, of course, would appeal to them better than a lower rate bond.

"As to the security of the farm loan bonds, there is no question of their solidity and a desirable investment for one of large means, as we see it. It appears to us that for the purpose of purely cooperative purposes, these securities should be sold in the farming districts where the loans are made, and then you would develop pure cooperation. I doubt myself whether many of these bonds would be sold in cities or that they would appeal to a small investor.

"Of course, each one of the local banks are interested in their own local community thrift, and I believe by building up your own communities by the accrual of money earned in these communities, you are working out the best advantage of the whole country."

"National Prosperity Survey"

A group which starts a recent prospectus with the statement that "we are facing the job of remaking the world" is distributing a prospectus for the "National Prosperity Survey and the Educational Thrift Campaign."

It quotes a resolution of indorsement from the National Thrift Week Committee and also from the International Industrial Committee of the Y. M. C. A.

The direction of its possible activities is indicated by what purports to be a specimen list of "fundamental facts, pointers and services," which include a

broader and more ambitious range of endeavor for the promotion of savings banking and investment than heretofore has been undertaken by any or all existing movements and trade organizations.

Loan Association Exemptions

The tax exemption for income from investments and deposits in building and loan associations has been eliminated from the pending Federal Revenue Bill by the Senate Finance Committee, but it is stated that a strenuous effort will be made by the associations in Pennsylvania and Ohio to reinstate the exemption in the bill when it goes to the Conference Committee.

Industrial and banking interests which are aware of the serious damage now being felt as the result of present tax exemptions while business interests are attempting to compete with the government for new capital, should not relax their effort to defeat this pernicious proposal until the Revenue Bill is placed in final form. The Savings Bank Division addressed the members of the Senate Finance Committee on this subject, as follows:

"Referring to the pending revenue bill, Section 211:

"The proposed exemption for investments in building and loan associations should be modified or eliminated.

"It (1) applies without limitation to the period of the present housing shortage, (2) directly discriminates against the principal sources of mortgage funds (both corporate and private) and (3) even fails to limit the taxpayers' subsidy to loans upon mortgage security.

"If you favor this new tax exemption it must be either (1) to remedy the housing shortage, (2) to aim at federalization of the Federal associations for a venture similar to the present land bank system, (3) or a further step toward the single tax on land.

"As to the first point, the provision cannot be sustained unless (a) there is a housing shortage which this amendment will tend to alleviate, (b) the loan associations are or will be located where the shortage exists, (c) that building activity will be stimulated not only by this exemption of funds which go into the new housing, but of all funds now invested in loan association shares, (d) that the wage earners who ordinarily patronize such associations should be thus stimulated to invest in real property at present prices, (e) that no other person who derives income from mortgage security should be benefited or encouraged by a similar exemption, and (f) that a similar exemption should not be afforded to those savers whose funds reach the mortgage market through banks, credit unions and other organizations which loan on as favorable and usually a more favorable basis for the borrower as to appraisals and interest return and in most communities more favorable as to actual term.

"The other two points speak for themselves. We have only to call your attention again to the fact that housing, as well as all industry and commerce, suffers from the basic evils of excessive tax burdens and competition with the subsidized borrowings for a private use and unproductive expenditure.

"The real remedy, as we believe that you understand, is not by shifting or diverting the flow of economic capital by temporary expedients which invariably become not only costly, but wasteful."

Postal Savings System

Total deposits in post offices on August 31 again show a decline, being reported as \$152,400,000.

The reasons for any increases appear to continue about as reported in these columns last month, being confined to Boston and to three cities in the state of Washington, except only Atlantic City and New York.

Hoarded Wealth, by McKee

In recording his opposition to having the government enter the banking business in opposition to private enterprise, as proposed by the Postmaster General and discussed by several bankers in these pages last month, H. H. McKee of Washington, president of the National Bank Division of the American Bankers Association, writes:

"Mr. Hays overestimates the amount of hoarded money—he is only guessing. Three thousand one hundred and twenty-five national banks hold \$1,900,000,000 savings deposits distributed among 5,000,000 accounts, or an average of \$380 per account. All time deposits reported by national banks amount to about \$3,600,000,000. Assuming that \$3,000,000,000 are true savings accounts and the average per account is \$400, it means that there are 7,500,000 savings depositors in national banks alone, to say nothing of true savings banks, state banks and trust companies. Allowing five persons to a family, it means that 22,000,000 families in the United States, one in every three is represented as a savings bank depositor in national banks with an average individual accumulation of \$400. If Mr. Hays' statement that \$2,000,000,000 is hoarded be true, there must be 5,000,000 or more persons with an average accumulation of \$400, or one out of every four and one-half families is hiding money, all of which is nonsense.

"Find out how much your savings banks are holding, how much your trust companies are holding, how much your state and national

banks are holding as savings, with the average deposit per account; then do a little arithmetic and find the truth.

"Although I am opposed to enlarging the facilities of the postal savings system, I do not believe the measure referred to will operate to make much of an inroad upon savings in banks nor achieve the results claimed for it, but it will make the banks uneasy and perhaps induce some of them to increase rates, which will be bad. With all good wishes."

Values in School Savings

The public service function of the banks is well stated from the viewpoint of results in a contribution to the *Oakland Enquirer* of July 11, from which we quote in part:

"Tens of thousands of people have savings today who would never have taken the initial step unless the banks had persistently kept up a campaign of education in every way that seemed feasible and practical. The invaluable story of how savings provide the fund for loans on homes and thus create more assessable property and more work, which in turn make more savings possible, has been told till it has brought its harvest. The banks of Oakland must always be the bulwark of her progress and it has ever found that they are the first to respond to calls for support of campaigns that make for the welfare of the community. Their growth and success depend solely on the growth of the city. In this consists largely the safety of the depositor. * * *

"The time is not far distant in Oakland when the banker will be as much a subject of common interest as is the baker. People will learn to use the banks in the exact proportion as confidence increases. Because of the banks' education the school children of today

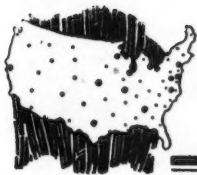
are wiser financiers than their parents of a generation ago. Many thousands of young men and women now have bank accounts that were opened at school through the work of the banks. In the Oakland banks today are hundreds of thousands of dollars that belong to school children. Thus to thousands of bank is now the rule of life that they learned at school. I merely mention these facts to prove the thoroughness of Oakland banks in building up a habit that more than anything else is creating a higher and independent type of citizenship. This system has brought the bank into the home, where it graduates into the office, the store and into every avenue of life. This is a magnificent record, the satisfaction of which may be shared by the entire city.

"The banking system of Oakland is based on the human principle of co-operation, which cannot fail of success and continued growth. The standing of the banks and those who direct them cannot be questioned. Their helpful policy is a book so open that he who runs may read, and he who is wise will read, and profit thereby."

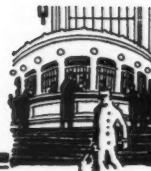
The picture shows children of twenty different nationalities on school banking day in Cudahy, Wis. Under their system the children bring their home banks and their bank pass books to school one day each month, each bank is opened and the amount entered on a deposit slip by the pupil, and the pupil then takes the slips to the savings bank for deposits. This is a part of the regular school program, taking the place of other thrift exercises during that week. The red cross manager of the system has adopted the motto of "every pupil a depositor by June 30, 1922."



Twenty Nationalities among School Depositors in One Class, Cudahy, Wisconsin



CLEARING HOUSE SECTION



Developing the Acceptance

As a result of the efforts of American bankers, through organized channels, the general principles underlying the use of bankers and trade acceptances have, in recent years, become very firmly established and their adaptability to modern finance and business quite generally recognized. The task that is now receiving major attention is that of perfecting the mechanism for the creation of acceptances in domestic and foreign trade, and, through the intermediary of the acceptance corporations and other distributing agencies, for their absorption by investing institutions and individuals throughout the country. This would appear to involve:

(a) The simplifying and clarifying of rules and regulations of both the Federal and state authorities under which drafts arising from domestic and foreign trade are transformed into negotiable acceptances, automatically liquidated at maturity.

(b) The development of a discount market with large enough facilities to instantly absorb any amount of prime paper that may be offered to it.

Rules and Regulations

The acceptance was introduced into American finance with the establishment of the Federal reserve system. Being a new instrument of credit in so far as this country is concerned, it is natural that its use could be fostered only by a slow process, and the regulations governing its employment determined by careful observation and experimentation. In this process the Federal Reserve Board received the hearty cooperation of business men and bankers throughout the country. The board is still called upon for rulings on various points, while from time to time amendments are offered with a view to making the system as near perfect as possible.

The American Acceptance Council has devoted considerable effort along these lines, and as a result of the experience of some of its active members has submitted to the Federal legislature a number of amendments and changes which, in the opinion of these members, would tend to improve and strengthen the system. Just now it is advocating:

(a) The elimination of the dual system under which the Comptroller of the Currency and the Federal Reserve Board now operate with respect to examinations, rulings and interpretations.

(b) The engaging of an adequate staff of examiners who are experts in the acceptance business, so that contracts and conditions upon which acceptance credits have been issued may be passed upon before the acceptances reach the discount market. At the present time the determination of the eligibility of bankers' acceptances takes place after the bill

has been created and when it is presented to the Federal reserve banks for rediscount or purchase. Under the system recommended the practices of accepting banks would be controlled "at the source."

(c) Amendment to Section 5202 of the National Banking Act, permitting national banks to indorse without limitation bankers' acceptances sold in the open market and based on either domestic or foreign trade transactions.

(d) The simplification and standardization of buying and selling rates for acceptances. The Council now publishes its daily quotations for prime eligible acceptances (whether of member or non-member banks, instead of the former method of quoting rates on both member and non-member bank bills).

During the past two or three years excellent progress has been made in broadening the use of and developing an investment market for the domestic bankers' acceptance. In general, the mechanism for the creation of acceptance credits consists of:

(a) Member banks of the Federal reserve system which are empowered to accept up to 100 per cent. of their capital and surplus.

(b) The Edge Law banks, which are permitted to issue debentures to an amount not in excess of ten times their

capital (minimum \$2,000,000). They are authorized to buy and sell, as well as to create acceptances.

(c) State-chartered banks, which are not permitted to issue debentures but which operate by accepting bills and drafts arising out of either foreign or domestic commerce.

The mechanism of distribution of bankers' acceptances consists of a number of well-developed organizations of acceptance dealers, which receive their bills direct from the accepting banks and pass them along to their own clientele.

Notwithstanding the wonderful progress that has thus far been made, it will be some time before we have in America an open discount market that will meet all requirements. Such a market as we should have would require the use of far greater quantities of liquid funds than are now available for the purpose, and requires also the establishment and maintenance of reasonable and stable rates. The general relaxation of the money market and the return to normal conditions in other departments of business will insure a more healthy condition in the discount market. An excellent foundation has been laid, but much needs to be done if the superstructure is to be developed on safe and sound lines. In this work of development the bankers of this country must take a prominent part.

Postal Savings System

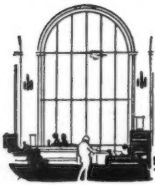
Recent utterances by the Postmaster General indicate a determination to invite the savings of the country into the postal banks. The extent to which the plan would succeed is as yet only conjecture, but the inducements intended to be offered are a radical departure from the accepted theory of the principles upon which the postal savings system was established.

Representative Steenerson, from Minnesota, chairman of the Post Offices and Post Roads Committee of the House of Representatives, has introduced a bill embodying many, or perhaps all, the plans enunciated by the Postmaster General. It provides that accounts may be opened in any postal savings depository by any person of any age in his or her own name, or by any corporation or association. The minimum amount to be received will be \$1, though smaller amounts may be accumulated by the purchase of stamps at ten cents each, ten of which will be accepted as an initial or a subsequent deposit. Likewise a maximum amount is established. No person may have to his credit in any postal savings depository any sum exceeding \$3,000, and interest at the rate of 3 per cent. is to be paid.

The bill is now before the Post Office and Post Roads Committee of the House and the author is planning to hold public hearings late in October or November to determine the sentiment existing throughout the country for such a broadening of the system. Doubtless the hearings will develop a pretty thorough discussion of the possibilities of such an amendment and should it be shown that existing banking facilities, made even more attractive by reason of the constant campaigns for savings conducted by the various banks, are sufficient to meet the needs it is assumed that this will be recognized by the committee and the Administration and that appropriate action would be taken.

A Bank's Cornerstone

The National Bank of Watervliet, N. Y., is building a new banking house. The laying of the corner stone was made the occasion of appropriate ceremonies. The honor of laying the stone was accorded to Thomas A. Knickerbacker, long connected with the bank and for several years its president. An address was made by John G. Clute, the president.



NATIONAL BANK DIVISION



Condition of National Banks

Figures received by the Comptroller of the Currency in response to the bank call of June 30, 1921, and just released show that loans and discounts have contracted \$1,281,019,000 since June 30, 1920, when they amounted to \$12,406,118,000. Total deposits also show a decrease of \$2,013,090,000. The noteworthy feature of the returns is that while demand deposits were \$1,436,748,000 less than a year ago, when they totaled \$10,395,612,000, the time deposits show an actual increase for that period of \$210,305,000. The fluctuations of the time deposits are shown by the following figures: June 30, 1920, they were \$3,485,501,000; September 9, 1920, they were \$3,560,298,000; November 15, 1921, they were \$3,621,112,000; December 29, 1921, they were \$3,631,837,000; February 21, 1921, they were \$3,712,430,000, and April 28, 1921, they amounted to \$3,698,518,000. Resources of national banks show a diminution during the last year. On September 8, 1920, they amounted to \$21,885,480,000, while on June 30, 1921, they totaled only \$19,638,446,000, a decrease of \$2,247,034,000. The paid-in capital stock shows a slight increase, it amounting to \$25,611,000. Also the circulation outstanding shows a growth in the past year. On June 30, 1921, it amounted to \$704,147,000, as against \$693,270,000 just one year earlier.

State Vice-Presidents

State vice-presidents of the National Bank Division, elected too late to be included in the lists carried in earlier editions of the JOURNAL, are as follows:

Colorado—George T. Wells, assistant cashier Denver National Bank, Denver.

New Mexico—D. T. Hoskins, vice-president First National Bank, Las Vegas.

West Virginia—Fred Diddle, cashier First National Bank, Salem.

Paper from Non-Member Banks

Section 19 of the Federal Reserve Act provides in part that—

"No member bank shall act as the medium or agent of a non-member bank in applying for or receiving discounts from a Federal reserve bank under the provisions of this act, except by permission of the Federal Reserve Board."

As announced in a letter sent by the Board to all Federal reserve banks, the Federal Reserve Board has given general authority to member banks to apply to their respective Federal reserve banks for discounts of eligible paper acquired by such member banks from non-member banks, such authority to be effective

until withdrawn by the Federal Reserve Board. The extent to which the respective Federal reserve banks will entertain such application is, of course, a matter of policy for the determination of the officers of each bank.

Advances for Agriculture

Acting upon authority of the recent amendment to the act establishing the War Finance Corporation, that institution has promulgated regulations under which it proposes to administer agricultural credits. It is permitted to make advances to any bank, banker or trust company or to any cooperative association of producers which may have made advances for agricultural purposes, including the breeding, raising, fattening and marketing of live stock, or may have discounted or rediscounted notes, drafts, bills of exchange or other negotiable instruments issued for such purposes. Such advances may be made upon promissory notes or other instruments when drawn in such form as to create a primary obligation on the part of the bank or other association. The sum advanced to any bank or other association shall not exceed the amount of the loan made for the purposes herein indicated and shall not be for any period greater than one year. However, the time for repayment may be extended, though in no instance can it run for more than three years.

The War Finance Corporation is authorized, also, to purchase from domestic banks, notes, drafts, bills of exchange or other instruments of indebtedness secured by chattel mortgages, warehouse receipt or bills of lading, securing marketable title to staple agricultural products. In addition, the corporation is empowered to purchase and deal in certain acceptances issued by banking corporations.

To expedite the work of the corporation it has established agricultural loan agencies in the agricultural and live-stock sections of the United States. All applications for advances should be made to the agricultural loan agencies whose addresses can be secured from the nearest Federal reserve bank. The several agencies, after satisfying themselves as to the condition of the makers or indorsers of the notes or other evidences of indebtedness offered as collateral security, will refer the applications with their recommendations to the War Finance Corporation in Washington for final approval. If acceptable arrangements will be made with banks conveniently located to make the advances.

Applications to sell agricultural paper

will be approved by the corporation only in exceptional cases. Banks submitting such applications must show that they are under some legal disability to obtain advances under the first-named provision of this section of the War Finance Corporation Act.

A number of local agencies are already designated and others will be established as the needs therefor arise. Through the provisions of this act it is intended that the crying needs of the agricultural sections may be met, though upon the banks or other associations receiving the advances rests the obligation of arranging security acceptable to the corporation. Forms of collaterally secured notes may be obtained from the local agencies if desired, the forms having been distributed by the corporation, which has already begun to function under the grant of this additional authority.

Federal Protection for Members

The many depredations committed against banks and the varying degrees of punishment prescribed by statutes in the several states have aroused the Federal government to the necessity of some action that would be a deterrent to the many individuals who are preying upon banks.

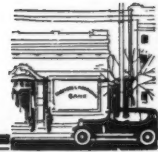
Senator Nelson of Minnesota has introduced in the Senate a bill intended to give Federal protection to Federal reserve banks, member banks and Federal farm loan banks. It provides that any person who robs or attempts to rob any of the institutions above named shall be guilty of a felony, and shall for the first offense be fined not more than \$3,000 or imprisoned not more than two years, or both. Punishment prescribed for the second offense is much more severe. Likewise, attempts to obtain money or credits by larceny or forgery or false pretenses shall be punished by heavy fines or imprisonment or both.

There is also specific penalty prescribed for wounds inflicted upon any person, and should the perpetrator of any of the aforesaid acts, while in the commission of such offenses, kill any person, the crime shall be murder and punishable as prescribed by the criminal code.

A number of states have recently enacted laws authorizing the imposition of rather severe penalties for commission of crimes such as are mentioned herein. They are not, however, uniform and in some other states are inadequate. The advantages of a Federal law, under the provisions of which criminals can and will be pursued effectively, unhampered by state laws and state boundaries, is obvious.



STATE BANK DIVISION



Certificates of Deposit

Banks in several states are making a specialty of certificates of deposit intended to develop savings. In the State of Kansas, for example, two forms of certificates have been authorized by law, and Bank Commissioner F. H. Foster has issued a letter to institutions under his supervision prescribing specific forms. One form issued is termed "Accumulative Deposit Certificate," which reads as follows:

This is to certify that there have been deposited in this bank Twenty and ⁵¹/₁₀₀ Dollars (\$20.51), payable to the order of....., three months after date, with interest at the rate of Three Per Cent. (3%) per annum. If not then withdrawn the bank will pay the deposit to said order as follows: On thirty days' written notice, with interest at the same rate for the even months; or if not withdrawn before sixty months after date, Twenty-five Dollars (\$25.00), which includes interest at the rate of Four Per Cent. (4%) per annum, compounded quarterly. This certificate must be indorsed and surrendered when paid. The deposit is not subject to check.

Another form of certificate prescribed for the use of Kansas banks is called "Installment Deposit Certificate," and reads as follows:

This is to certify that there have been deposited by..... in this bank, One and ⁴⁷/₁₀₀ Dollars (\$1.47). The depositor shall have the option to make sixty or less monthly deposits of the same amount, at monthly intervals, during the period of this certificate, to be indorsed hereon by the bank. The bank will pay the amounts deposited to the depositor or assignee, three months after date, with interest at the rate of Three Per Cent. (3%) per annum. If the amount shall not be then withdrawn, but the monthly deposits shall be continued, the bank will pay the deposits to the depositor, or assignee, as follows: On thirty days' written notice, with interest at the same rate for the even months; or if sixty monthly deposits shall be made, One Hundred Dollars (\$100.00), sixty months after date, which includes interest at the rate of Five Per Cent. (5%) per annum, compounded semi-annually; conditioned, that one month shall be added to the sixty months for each omission to make a monthly deposit on time. In case of failure to make deposits for six months in succession the bank may end this account at its option, and if so ended the bank will pay the deposits with interest for the even months at the rate of Three Per Cent. (3%) per annum, but no interest will be paid thereafter. This certificate must be indorsed and surrendered when paid. The deposits are not subject to check.

Rates of interest on various kinds of bank deposits in Kansas have been prescribed as follows:

- (1) Time certificates may be issued having a definite date of maturity, not less than three months nor more than twenty-four months from date, on which a rate of interest not exceeding 4 per cent. per annum may be paid. On these interest shall cease at maturity, and no interest shall be paid for periods shorter than three months.
- (2) On demand certificates, on all accounts subject to check, including bank deposits, and on all other forms of deposit, excepting time certificates mentioned in (1) above, and savings and club deposits mentioned in (3) next following, and excepting Cumulative and Installment Savings Certificates, the maximum rate which may be paid is 3 per cent. Under this subdivision shall be classed certificates which are payable on demand but contain words to the effect that interest at a named rate will be paid on the sum named in the certificate if left for any stated period of time.

(3) On savings deposits represented by entries made in a book which substantially conforms to the standard form of savings pass book in use by savings banks, a rate of interest not exceeding 4 per cent., compounded semi-annually, may be paid: *Provided*, Interest payments on such deposits shall not be paid or credited except on July 1 and January 1 next following the date of deposit, and no interest shall be paid or credited on any amount withdrawn after an interest-paying date and before the next semi-annual date for computing interest: *And provided further*, That such savings account must not be used in any sense or to any extent as a checking account. On all such deposits as Christmas savings club deposits and deposits made in clubs of a similar character, or on a like plan, a rate not exceeding 4 per cent., simple interest, may be paid.

Departmental Banking

The tendency among all banks to do all kinds of banking has developed a corresponding inclination in various states to regulate departmental banking, particularly for the purpose of providing additional protection to savings depositors. The banking law of California is especially specific. Section 23 of such laws says:

When a bank desires to do a departmental business, it shall first obtain the consent of the superintendent of banks and, in its application therefor, file a statement making a segregation of its capital and surplus for each department. Such capital and surplus, when so apportioned and approved by the superintendent of banks, shall be considered and treated as the separate capital and surplus of such department as if each department was a separate bank. Thereafter a bank may, from time to time, with the previous consent and approval of the superintendent of banks and subject to the provisions of section nineteen of this act, change any segregation and apportionment of capital and surplus previously made and make a new segregation and apportionment of its capital and surplus. • • •

Section 19 referred to in the foregoing paragraph reads as follows:

Section 19. The aggregate of paid-up capital together with the surplus, of every commercial bank, must equal 10 per centum of its deposit liabilities. The aggregate of paid-up capital and surplus of every savings bank having a capital stock, and the reserve fund of every savings bank without a capital stock, must equal the following percentages of its deposit liabilities:

- (a) Ten per centum of any amount up to and including two million dollars.
- (b) Seven and one-half per centum of any amount in excess of two million dollars up to and including five million dollars.
- (c) Five per centum of any amount in excess of five million dollars up to and including fifteen million dollars.
- (d) Two and one-half per centum of any amount in excess of \$15,000,000 up to and including \$40,000,000.
- (e) One per centum of any amount in excess of \$40,000,000.

The deposits shall not be increased if such proportion of paid-up capital and surplus or reserve fund to deposit liabilities is not maintained, and in no event shall paid-up capital be less than the minimum paid-up capital provided by this act; provided, that such deposit liabilities shall be exclusive of United States and postal savings deposits and deposits of the State of California and of any county and municipality in the State of California which are secured as required by law.

Tenant Farmers

Country bankers realize that tenant farming is a growing menace, and that some of them may be helped to become

landowners by judicious assistance from a bank, still the risk is something, the annoyance is worse, the public criticism on the foreclosure of a mortgage is embarrassing, and, as one man said, "if they are any good, they don't remain tenants long." Increasing land values is making it harder every year for a man to rise to ownership, and the problem of financing such advancement should be studied in broad and patriotic spirit. Young men, sons of well-to-do parents, who begin their independent careers on rented farms, and with barely adequate equipment, are entitled to a special classification. They may rely on some parental assistance if it is absolutely necessary and on an inheritance some time in the future. Preferring to set up their own households, they undertake farming on their own account. If they show good judgment in their undertakings, and bear favorable reputations, the banker has an opportunity to help develop these young men in a business way, and to cement them to his institution by making them moderate loans without their fathers' endorsement, or other security.

Local Loans First

Bank Commissioner Marshall Cousins of Wisconsin has issued a bulletin in which he says: "The furnishing of funds for agricultural purposes is essential and the Wisconsin banks are doing their full share in this direction. Bankers should discourage and refuse making loans at this time of stringency upon unessentials and conserve their resources as far as possible to take care of the legitimate and essential requirements of their immediate communities. It cannot be considered as proper for banks to go outside of their communities at this time to make investments and they should invite the cooperation of their citizens in taking care of local requirements. In some sections of the state promoters are offering various kinds of investments to the public—oil stocks, industrial stocks, bonds and other highly speculative or purely wildcat securities. Bankers are urged to warn their customers against throwing their money away upon these investments. It would be far wiser for the banks to sell well seasoned investments out of their own files to their people and thus keep the money in the community than to permit them to throw away their money on these promotion schemes. Millions of dollars have been taken out of our state in the past several years, which will never return to the investors. The money was lost as soon as it had been paid over."

New Bank Commissioner

Charles McKee, formerly president of the Lee County National Bank of Marianna, has succeeded W. T. Maxwell as State Bank Commissioner of Arkansas.

New Banks Organized

ALABAMA

Akron—Akron Bank and Trust Company. Capital, \$25,000.
Alabama City—First State Bank. Capital, \$25,000.
Ashville—Bank of Ashville.
Elberta—Elberta State Bank. President, Herman Koebler; cashier, J. G. Lehr.
Oneonta—The First National Bank. Capital, \$25,000. President, J. S. Wittmier; cashier, L. Q. Box.
Roanoke—Citizens Bank.
Tarrant—Tarrant Bank.
Vincent—State Bank of Vincent. Capital, \$11,200.

ARKANSAS

Rillito—Rillito Bank and Trust Company. Capital, \$25,000.

ARIZONA

Columbia—Bank of Columbia.
Flippen—Farmers and Merchants Bank. Capital, \$100,000.

CALIFORNIA

Alhambra—Bank of Alhambra. Capital, \$50,000.
Bakersfield—Peoples Finance and Trust Company. President, George Sobichi; secretary-treasurer, Fred C. Eppesior.
Burbank—State Bank of Burbank. Capital, \$50,000.
El Monte—El Monte Savings and Commercial Bank. Capital, \$25,000.
San Francisco—Liberty Bank. Capital, \$1,000,000.
Santa Pedro—California State Bank. Capital, \$50,000.
Tujunga—Monte Vista Valley Bank. Capital, \$25,000.
Upper Lake—Bank of Upper Lake. Capital, \$25,000.
Van Nuys—Bank of Van Nuys.
Venice—State Bank of Venice.

COLORADO

Palisades—Farmers Union Bank. Capital, \$25,000.

CONNECTICUT

Jewett City—Jewett City Trust Company. Capital, \$25,000.

DELAWARE

St. George—Delaware Trust Company of Wilmington.
Wilmington—Brandywine Trust and Savings Bank. Capital, \$100,000.

FLORIDA

Daytona Beach—Peninsula Trust Company. Capital, \$50,000.
Haines City—Citrus Growers Exchange Bank. Capital, \$30,000.
Kelsey City—Kelsey City Bank and Trust Company.
Key West—Bank of Key West. Capital, \$100,000.
Lake Wales—Citizens Bank. Capital, \$50,000.
Mayo—Mayo State Bank. Capital, \$17,000. President, J. M. Gronto; cashier, H. G. Fannin.

Miami—The Miami National Bank. Capital, \$150,000. President, Geo. E. Nolan; cashier, J. D. Wellborn.
Okeechobee—Peoples Bank. Capital, \$25,000.
Pablo—First State Bank. Capital, \$15,000. President, Leonard A. Usina; cashier, A. F. Piet.
Panama City—Merchants Bank.
Sanford—Farmers and Merchants Bank.
Tampa—Tampa Loan and Savings Bank. Capital, \$100,000. President, Chas. H. Brown; treasurer, F. R. Hensley.

GEORGIA

Atlanta—Cotton Bank and Trust Company.
Atlanta—Lakewood Bank.
Bradley—Bank of Bradley. Capital, \$15,000.
Bullochville—Citizens Bank. Capital, \$15,000.
Cumming—Peoples Bank.
Dallas—Citizens Bank. Capital, \$25,000. President, J. F. Welch; cashier, W. F. Byrd.
Jesup—Brunswick Bank and Trust Company. President, F. D. Aiken; cashier, H. W. Pearson.
Macon—Middle Georgia Savings and Investment Company. Capital, \$25,000.
Stillmore—Edenfield Bank.
Sylvania—Commercial Bank.

IDAHO

Preston—Federal State Bank.
Rexburg—First Savings Bank. Capital, \$25,000.

ILLINOIS

Bloomington—First Trust and Savings Bank. Capital, \$100,000.
Chicago—Broadway Trust and Savings Bank.
Chicago—South Park State Bank. Capital, \$200,000.
Columbus—Columbus State Bank. Capital, \$15,000.
Mattoon—State Trust and Savings Bank. Capital, \$100,000.
Mokena—Illinois State Bank. Capital, \$25,000. President, F. C. Tallmadge; vice-president and cashier, Cass Hayden.
O'Fallon—First State Bank. Capital, \$25,000. President, Geo. E. Crosby; cashier, Thos. T. Gordon.
Olmsted—First State Bank.
Pearl—Peoples State Bank. Capital, \$25,000. President, John N. Ball; cashier, George A. Minier.
Peoria—South Side Trust and Savings Bank. Capital, \$200,000.
Rockford—Fourteenth Avenue Bank.
Roselle—Farmers and Merchants State Bank.
Woodbine—Woodbine State Bank. Capital, \$25,000. President, Fred Arnold.

INDIANA

Cutler—Cutler Bank. Capital, \$10,000.
Drugger—Citizens Bank and Trust Company. Capital, \$25,000.
Fort Wayne—Guaranty Loan and Trust Company.

Gary—Peoples State Bank. Capital, \$50,000. President, R. B. Hemingway; cashier, S. H. Milgram.
Hebron—Farmers Bank and Trust Company. Capital, \$25,000.
Indianapolis—East Side State Bank. Capital, \$35,000.
Indianapolis—Forty-second Street State Bank. Capital, \$25,000.
Milford—Milford State Bank.
Milton—Washington Township Bank. Capital, \$10,000.
North Judson—North Judson State Bank.
North Manchester—Indiana State Bank. Capital, \$50,000.
Union Mills—Union State Bank. Capital, \$25,000. President, M. G. Freeman; cashier, C. E. Price.
Wingate—Farmers State Bank. Capital, \$50,000.

IOWA

Arcadia—State Bank of Arcadia. Capital, \$50,000.
Calumet—Farmers State Bank. Capital, \$25,000.
Cedar Rapids—Farmers and Citizens Savings Bank. Capital, \$500,000.
Council Bluffs—Central State Bank.
Davenport—Industrial Savings Bank. Capital, \$100,000. President, E. F. Broders; cashier, Edward Luckenback.
Graftinger—Farmers and Merchants State Bank. Capital, \$50,000. President, J. P. Kirby; cashier, Vincent Kelly.
Jefferson—First State Bank. Capital, \$60,000.
Jefferson—Iowa State Bank. Capital, \$50,000.
Joice—Farmers Trust and Savings Bank. Cashier, C. K. Nelson.
South Bend—Toth State Bank. Capital, \$50,000.
Spirit Lake—Farmers and Merchants Bank. Capital, \$50,000. President, J. P. Kirby; cashier, F. R. Dowdon.
Spirit Lake—Iowa Trust and Savings Bank.

KANSAS

Alamota—Alamota State Bank. Capital, \$15,000. President, W. S. Freas; cashier, W. F. Vycital.
Manhattan—Aggreville State Bank. Capital, \$25,000.
Olmits—Peoples State Bank. Capital, \$20,000.
Rexford—Farmers State Bank. Capital, \$17,000.
Shaw—Shaw State Bank.
Skiddy—Skiddy State Bank. Capital, \$10,000.

KENTUCKY

Beaver—Floyd County State Bank. Capital, \$25,000.
Blackey—Blackey State Bank. Capital, \$15,000.
Louisville—City Bank and Trust Company. Capital, \$50,000.
Oneida—Citizens Deposit Bank.
Pikeville—Citizens Day and Night Bank. Capital, \$300,000.
Scottsville—State Bank of Scottsville. Capital, \$50,000.

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Elvins—Security Bank. Capital, \$10,000.
Norbourne—Norbourne Trust Company. Capital, \$60,000.
Purdy—The Purdy National Bank. Capital, \$25,000. President, U. S. Lane.

MONTANA

Bearcreek—Miners State Bank. Capital, \$25,000. President, T. E. Frasure; cashier, James L. McClellan.
Fairview—The First National Bank. Capital, \$40,000. President, A. F. Nohle; cashier, H. F. Dundas.

Ovando—Farmers Trust and Savings Bank.
Ovando—First State Bank. Capital, \$20,000.

NEW JERSEY

Boonton—Boonton Trust Company. Capital, \$100,000. Secretary-treasurer, Marvin D. Hayward.
Hackensack—The City National Bank. Capital, \$100,000. President, George P. Pitkin; cashier, W. B. Todd.
Ventnor (Atlantic City P. O.)—Ventnor Trust Company. Capital, \$100,000. President, Geo. A. Gumphert; secretary-treasurer, Horace T. Frambes.

NEW YORK

Hamden—The First National Bank. Capital, \$25,000. President, M. S. Crawford; cashier, H. L. Eckert.
Honeoye Falls—State Bank of Honeoye Falls. Capital, \$25,000.
Lisbon—The First National Bank. Capital, \$25,000. President, C. B. Wright.

NORTH CAROLINA

Biltmore—Bank of Biltmore. Capital, \$50,000.
Elkin—Bank of Elkin. Capital, \$30,000. President, Wm. J. Byerly; cashier, J. H. Beacon.
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NORTH DAKOTA

Williston—Northwestern State Bank. Capital, \$40,000.

OHIO

Cleveland—Commonwealth Banking and Trust Company.
Cleveland—Farmers Bank. Capital, \$100,000.
East Liberty—Hamilton Bank Company. Capital, \$25,000.
Flushing—The Community National Bank. Capital, \$50,000. President, John A. Barricklow; cashier, W. K. Kirkpatrick.
Georgetown—Farmers and Traders Bank. Capital, \$50,000.
Miami—Farmers State Bank. Capital, \$25,000.
New Philadelphia—Peoples Bank.
New Riegel—New Riegel State Bank. Capital, \$25,000.
Sardinia—The Farmers National Bank. Capital, \$30,000. President, W. L. Kautz; cashier, Eugene Carter.

OKLAHOMA

Boley—The First National Bank. Capital, \$25,000. President, J. D. Nelson; cashier, F. B. Jones.
Haskell—Arkansas Valley State Bank. Capital, \$25,000. President, J. S. Hopping; cashier, Norris J. Hopping.
Oklahoma City—The Fidelity National Bank. Capital, \$200,000. President, F. P. Finerty; cashier, J. A. Campbell.
Pershing—Security State Bank. Capital, \$10,000. President, Henry Henson; cashier, E. R. Vernon.
Salt Fork—Salt Fork Exchange Bank. Capital, \$10,000.
Shamrock—Citizens Bank. Capital, \$10,000.

PENNSYLVANIA

East Waterford—Citizens Union Bank. Capital, \$25,000.
Greensburg—Union Trust Company. Capital, \$400,000. President, Clay F. Lynch; treasurer, D. P. Hudson.
Philadelphia—Producers & Consumers Bank. Capital, \$100,000.
Philadelphia—Railway Employees Bank. Capital, \$50,000.
Pittsburgh—Garfield Bank. Capital, \$50,000.
Pittsburgh—Peoples Bank. Capital, \$50,000. President, E. P. Coffin; cashier, J. D. McCord.
Pittsburgh—Pittsburgh Commercial Bank. President, G. Samuel; cashier, J. J. Eluny.
Reading—Skillington Bank. Capital, \$25,000.
Wilkes-Barre—Union Savings Bank and Trust Company. Cashier, Oscar Stiles Parker.

SOUTH CAROLINA

Columbia—Victory Bank. President, J. J. Joseph; secretary, N. A. Jenkins.
Columbia—Victory Savings Bank. Capital, \$25,000.

TENNESSEE

Franklin—Harpeth Trust Company. Capital, \$25,000.
Hinton—New State Bank and Trust Company. Capital, \$50,000.
Knoxville—Knoxville Trust Company. Capital, \$100,000.
La Follette—Campbell County Bank and Trust Company. Capital, \$25,000. President, Winston Baird; vice-president, R. L. Gallagher.
Oliver Springs—The Tri-County National Bank. Capital, \$25,000. President, Samuel Tunnell; cashier, R. L. Haffington.
Sparta—Peoples Bank and Trust Company. Capital, \$25,000.

TEXAS

Brownwood—Brownwood State Bank. Capital, \$50,000. President, I. J. Rice; cashier, O. C. Walker.
Dallas—Citizens Bank. President, S. W. Ragsdale; cashier, W. F. Byrd.
Dallas—Home Trust and Savings Bank. Capital, \$100,000.
Dallas—The Southwest National Bank of Dallas. Capital, \$2,000,000. President, R. J. Higginbotham; cashier, Sam R. Lawder.
Denison—Citizens State Bank. Capital, \$200,000. President, W. P. Munson; cashier, Clarence Scott.
Fort Worth—Continental National Bank. Capital, \$750,000. President, J. G. Wilkinson; cashier, Ed. H. Winton.
Houston—Industrial Bank and Trust Company.
San Antonio—United States Trust and Savings Bank. Capital, \$50,000. President, A. V. Dullye; cashier, W. G. Colton.
Temple—Guaranty State Bank. Capital, \$125,000. President, E. W. Moore.

VIRGINIA

Greensburg—Union Trust Company.

WASHINGTON

Kelso—Citizens State Bank.
Seattle—The Horton National Trust and Savings Bank. Capital, \$400,000. President, C. J. Smith; cashier, W. W. Scruby.

WEST VIRGINIA

Bluefield—Bluefield Trust Company. Capital, \$100,000.
Man—Merchants and Miners Bank. Capital, \$25,000.

WISCONSIN

Bayfield—Farmers and Merchants Bank. Capital, \$25,000. President, C. W. Olson; cashier, R. N. Wieszorek.
De Forest—Bank of De Forest. Capital, \$25,000.

Gillette (P. O. Winter)—Bank of Gillette. Capital, \$35,000.

Gillette (P. O. Winter)—Gillette Dairymen's Bank. Capital, \$50,000.

Milwaukee—Central State Bank.
Milwaukee—Holton Street State Bank. Capital, \$100,000. President, Henry Vetter; cashier, W. C. Clarkson.

Milwaukee—Liberty State Bank. Capital, \$100,000.

Newton—Newton State Bank. Capital, \$25,000.

Phelps—State Bank of Phelps. Cashier, Elmer Olson.

WYOMING

Frannie—Bank of Frannie. Capital, \$100,000. President, H. O. Kapp; cashier, E. F. Haworth.

Sheridan—Sheridan Trust and Farmers Bank. President, G. W. Perry; cashier, H. A. Loucks.

Through an exchange of shares an affiliation has been effected between the Bank of Santa Maria, Calif., and the First National Bank of Los Angeles and the Los Angeles Trust and Savings Bank, of which latter bank Henry M. Robinson is president. The resources of the Bank of Santa Maria exceed \$5,470,000 and the capital and undivided profits approach \$900,000. The Los Angeles banks have aggregate resources and undivided profits of more than \$130,000,000. Paul O. Tietzen will continue as president of the Bank of Santa Maria and L. P. Scaroni will continue as manager of the same institution.

Henry M. Robinson, president of the First National Bank of Los Angeles and the Los Angeles Trust and Savings Bank, has been appointed chairman of the War Finance Corporation Committee for Southern California and Arizona.

Fred C. Allen, formerly assistant cashier of the Glynn County Bank of Brunswick, Ga., has been appointed assistant cashier of the Orlando Bank and Trust Company of Orlando, Fla.

At a recent meeting of the directors of the Bank of Western Carolina, Aiken, S. C., P. M. Buckingham, formerly vice-president, was elected president, succeeding H. M. Dibble. W. B. Turner was elected vice-president.



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not make
your checks
PAY DIVIDENDS**

on the money you invest ?

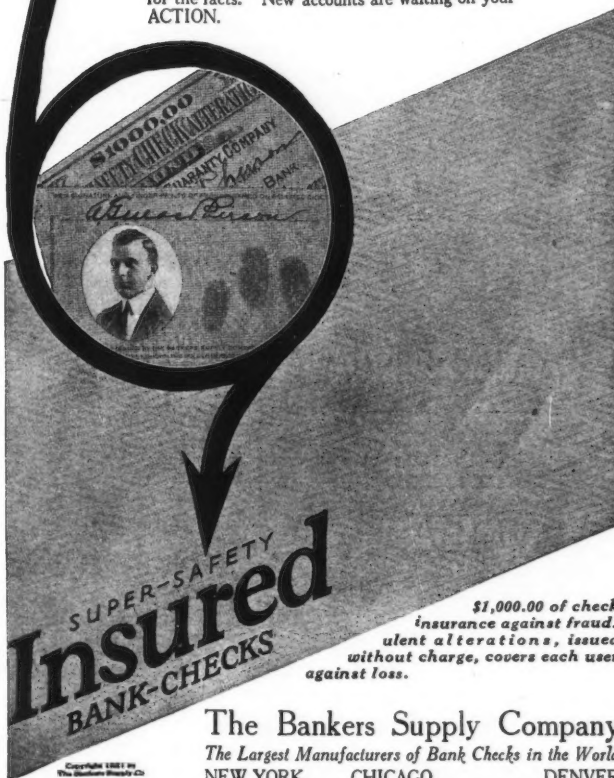
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Properly "sell" the idea of *additional* security against loss—get behind your *additional* service with a powerful push for new accounts. Then your "check expense" will become a **DIVIDEND EARNER** for your bank.

Thousands of banks ARE NOW DOING IT. They changed an account on their balance sheets—changed "expense" to "profits."

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insurance against fraud.
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The Largest Manufacturers of Bank Checks in the World

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Membership Changes

REPORTED FROM AUGUST 26, 1921, TO SEPTEMBER 25, 1921

There are frequent changes which come about through consolidations, mergers, liquidations and changes of title. The Executive Manager of the Association would appreciate receiving from members notice of any changes which occur, for the purpose of keeping the membership list correct and giving publicity through the columns of the JOURNAL.

Arizona.....Clifton.....Peoples Bank & Trust Company merged with First National Bank.	New Jersey.....Newark.....P. W. Brooks & Company, Philadelphia, now at Newark, N. J.
Illinois.....East St. Louis.....Union Trust & Savings Bank changed to Union Trust Company.	Oklahoma.....Oklahoma City...First State Bank changed to Fidelity National Bank.
Indiana.....Mt. Ayr.....Bank of Mt. Ayr changed to State Bank of Mt. Ayr.	Pennsylvania.....West Alexander..West Alexander National Bank succeeded by Citizens National Bank.
Iowa.....Martelle.....Martelle Bank merged with Farmers Savings Bank.	South Carolina...Camden.....Bank of Lugoff, Lugoff, S. C., succeeded by Peoples Bank, Camden, S. C.
Maryland.....Baltimore.....American Bank merged with Equitable Trust Company as American Bank Branch.	Texas.....Farmersville.....Farmers & Merchants State Bank changed to Farmers and Merchants National Bank.
Minnesota.....Minneapolis.....State Institution for Savings succeeded by Marquette Trust Company.	Ft. Worth.....Continental Bank & Trust Company consolidated with National Bank of Commerce as Continental National Bank.
Missouri.....Rosendale.....Rosendale Bank succeeded by Farmers State Bank.	Virginia.....Charlottesville...Commerce Bank & Trust Company succeeded by Commerce National Bank.
Montana.....Fairview.....First National Bank, East Fairview, N. D., Fairview, Mont., P. O., consolidated with Security State Bank, Fairview, Mont., as First National Bank, Fairview.	Mexico.....Guadalajara, Jalisco.....Bancania del Occidente S. A. succeeded by Brewer and Gaysinsky, Bankers.

New and Regained Members from August 26 to September 25, 1921, Inclusive

Alabama

First National Bank, Oneonta 61-376.
Bank of Bagland, Bagland 61-346.

California

Commercial Bank of San Luis Obispo, Atascadero 90-963.
First National Bank, Biola 90-924.
Hunter, Dulin & Co., Van Nuys Bldg., Los Angeles.
Bank of Italy, Sacramento 90-961.
Bank of Italy, Market-Gary Branch, San Francisco 11-35.
Bank of Italy, Montgomery St. Branch, San Francisco 11-35.
Liberty Bank, San Francisco 11-84.
Bank of Italy, San Miguel 90-770.

Florida

Bank of Alachua, Alachua 63-138.
American Exchange Bank, Apalachicola 63-93.
Bank of Chiefland, Chiefland 63-333.
Hampton State Bank, Hampton 63-168.
Farmers & Merchants Bank, Kissimmee 63-351.
Latin-American Bank, Ybor City, Tampa 63-271.

Massachusetts

Winchendon Savings Bank, Winchendon 53-474.

Minnesota

Miners State Bank, Chisholm 75-74.

Missouri

Farmers Trust Co., Boonville 80-1600.
Moore Bank, Brookfield 80-135.
Farmers Bank, Clarksdale 80-924.
Farmers State Bank, Ellington 80-712. (Regained.)
Halls State Bank, Halls 80-1655.
Hemple Bank, Hemple 80-1025.
Benson Banking Co., Laclede 80-601.
Citizens Bank, Linneus 80-556.
Moore & Mullins Banking Co., Linneus 80-555.
Bank of New Franklin, New Franklin 80-578.
Farmers Bank, North Salem 80-1442.
Owensville Bank, Owensville 80-1152.
Bank of Pardin, Pardin 80-801.
Stockgrowers Bank, Pardin 80-802.
Farmers Bank, Rushville 80-1640.
Community Bank, Smithton 80-1579.

Nebraska

Security State Bank, McGrew 76-919.
Tecumseh State Bank, Tecumseh 76-152.
First-National Bank, Utica 76-427.

New York

Merchants National Bank, Buffalo 10-70.
Corn Exchange Bank, McKinley Square Branch, New York 1-45.
Corn Exchange Bank, 7th Avenue Branch, New York 1-45.
Manufacturers Trust Co., 139 Broadway Branch, New York 1-357.
Otselle Valley National Bank, South Otselle 50-863.

North Dakota

Security National Bank, Edgeley 77-1063.

Ohio

Channer & Sawyer, Union Trust Building, Cincinnati.
Guarantee Title & Trust Co., Columbus 25-54.
Citizens National Bank, Mansfield 56-149.
Orangeville Savings Bank Co., Orangeville 56-1091.

Pennsylvania

Arnold National Bank, Arnold 60-1566.
Elderton State Bank, Elderton 60-1514.
A. D. Converse & Co., Commercial Trust Building, Philadelphia.
Citizens Title & Trust Co., 8 West Main Street Branch, Uniontown 60-385.

Virginia

Richmond Trust Co., Broad Street Branch, Richmond 68-28.

Wisconsin

Burlington National Bank, Burlington 79-1020.

Wyoming

Bank of Frannie, Frannie 99-178.

Mexico

Banco De Sonora, Hermosillo, Sonora.

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An Acceptable Cancellation must be

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